# Simple Supply and Demand

## Watch Jeremy Goad’s “Simple Supply and Demand” video at https://[www.youtube.com/watch?v=eT7VDPrQwIc.](http://www.youtube.com/watch?v=eT7VDPrQwIc) Then complete the following exercises.

1. Use Pe and Qe to label the equilibrium on this graph.
2. Draw a line to show that the price is above the equilibrium. Label the graph showing the Qs and Qd and the condition created.
3. Draw a line to show that the price is below the equilibrium. Label the graph showing the Qs and Qd and the condition created.

### Price

**Supply**

**Demand**

**Quantity**

1. What forces will cause the condition created in Q #2 to move back to equilibrium?
2. What forces will cause the condition created in Q#3 to move back to equilibrium?
3. Define a surplus condition.
4. Define a shortage condition.

# Simple Supply and Demand Answer Key

## Watch Jeremy Goad’s “Simple Supply and Demand” video at https://[www.youtube.com/watch?v=eT7VDPrQwIc.](http://www.youtube.com/watch?v=eT7VDPrQwIc) Then complete the following exercises.

1. Use Pe and Qe to label the equilibrium on this graph.
2. Draw a line to show that the price is above the equilibrium. Label the graph showing the Qs1 and Qd1 and the condition created.
3. Draw a line to show that the price is below the equilibrium. Label the graph showing the Qs2 and Qd2 and the condition created.

### Price

**Supply**

**P1**

**Surplus**

**Pe**

**Sho**

**rtage**

**P2**

 **Demand**

**QD1 Qe**

**QS1**

### Quantity

**QS2 QD2**

1. What forces will cause the condition created in Q #2 to move back to equilibrium? *Eventually, sellers will compromise and offer more for sale and buyers will be willing to buy more at prices closer to previous equilibrium.*
2. What forces will cause the condition created in Q#3 to move back to equilibrium? *Eventually, sellers will compromise and offer more for sale and buyers will be willing to buy less at prices closer to previous equilibrium.*

## Define a surplus condition.

*Qs > Qd*

1. Define a shortage condition.

*Qs < Qd*