Demand & Supply Shifts

Q - Why does the demand curve shift?
A - Due to changes in a non-price determinant of demand, i.e., preferences, income, price of related goods, etc...

Q - What does a shift look like?
A - Increase in demand

\[ \begin{align*}
\text{Rightward (Upward) Shift.} \\
\end{align*} \]

A - Decrease in demand

\[ \begin{align*}
\text{Leftward (Downward) Shift.} \\
\end{align*} \]

These are both changes in demand.
Q - Why does the supply curve shift?
A - Due to changes in non-price determinants of supply, i.e., Technology, Cost of Resources, Price of Other Goods, etc...

Q - What does a shift look like?
A - Increase in Supply

A - Decrease in Supply

These are both Changes in Supply.
Q. What is a \underline{Change in Quantity Demanded}?

A. A movement along the existing demand curve.

Exa. You employ 100 people manufacturing computers. A union moves in and organizes your workers. They join the union and the result is higher wages and benefits. This is a non-price determinant of supply (Cost Resources) which decreases your supply curve.

The shift of \( S_1 \) to \( S_2 \) is a \underline{Change in Supply}.

The movement from \( P_t. A \) to \( P_t. B \) is a \underline{Change in Quantity Demanded}. You moved along the existing \underline{Demand curve}.
Q. What is a change in Quantity Supplied?
A. A movement along the existing Supply curve.

Exe - Researchers determine that red wine is very healthy.

The shift of D₁ to D₂ is a change in Demand. The movement from Pt. A to Pt. B is a change in Quantity Supplied. You moved along the existing supply curve.
Answers to Questions from Last Week

1. Price of CD players reduced due to improvements in production methods.

2. Sales of premium cigars increase due to influence of celebrities - Madonna, Limbaugh, Nicholson, etc.

3. Price of cereal increases due to rise in cardboard, paper costs, etc.

4. Sales of vehicles decline due to concern over the economy and incomes.