

3.8

Changes in Market Equilibrium



As a Young Historian, I will be able to...

Trending Toward Equilibrium

Changes in the market will upset the market equilibrium.

Markets will, however, tend towards equilibrium.

There are a few ways to shift demand curves or supply curves



Increase Supply

Remember, non-price determinants can move a supply curve to the left or right

Changes in the market will push supply curves towards new equilibrium

Advances in technology have lowered the cost of manufacturing. & other input costs

Take computers or video games for example



Finding New Equilibrium

Sometimes luxury goods can move to a midrange good over time, this causes a market shift

Inventory- Quantity of goods that a firm has on hand.

Equilibrium is a moving target that changes as market conditions change.



Decreasing Supply

Sometimes, factors can cause supply to shift to the left.

What are things that are needed to build a car?

New taxes or higher materials can cause materials to rise, causing supply to decrease



Increasing Demand

New fads can change consumer tastes and can cause demand to rise quickly

What are some fads that tempted consumers to buy into?

Fads can cause a sudden shift in the market curve and can cause massive shortages

Search costs- financial & opportunity costs that consumers pay in searching for a product or service



Decreasing Demand

When a fad breaks, prices can quickly fall & market curves will shift swiftly again

This will cause suppliers to cut down on inventory and lower prices

New technology can once again change how people purchase items



