



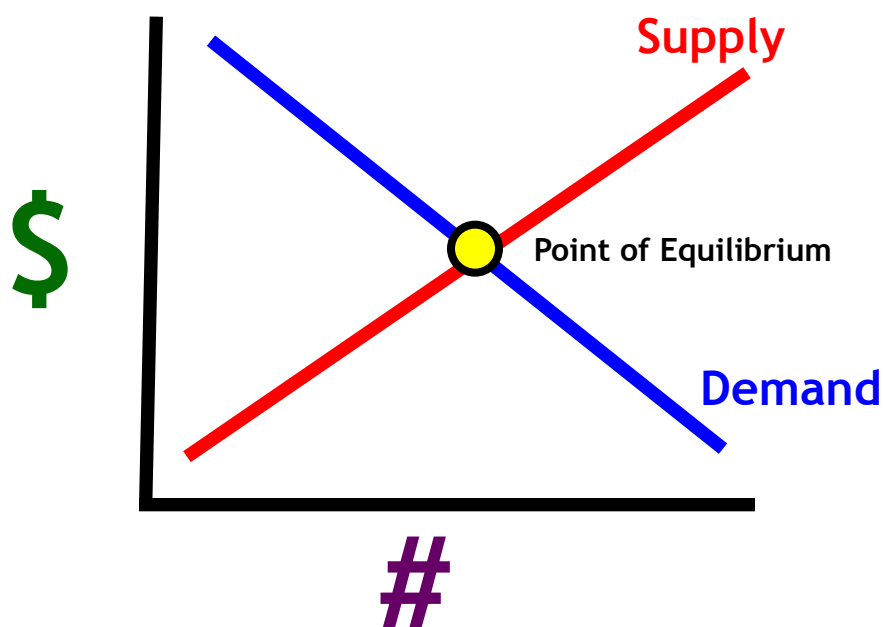
Supply and Demand Basics (Parts 1 & 2)

**ABRIDGED,
ANSWERS ADDED**

Antitrust
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ericejohnson.com



Konomark
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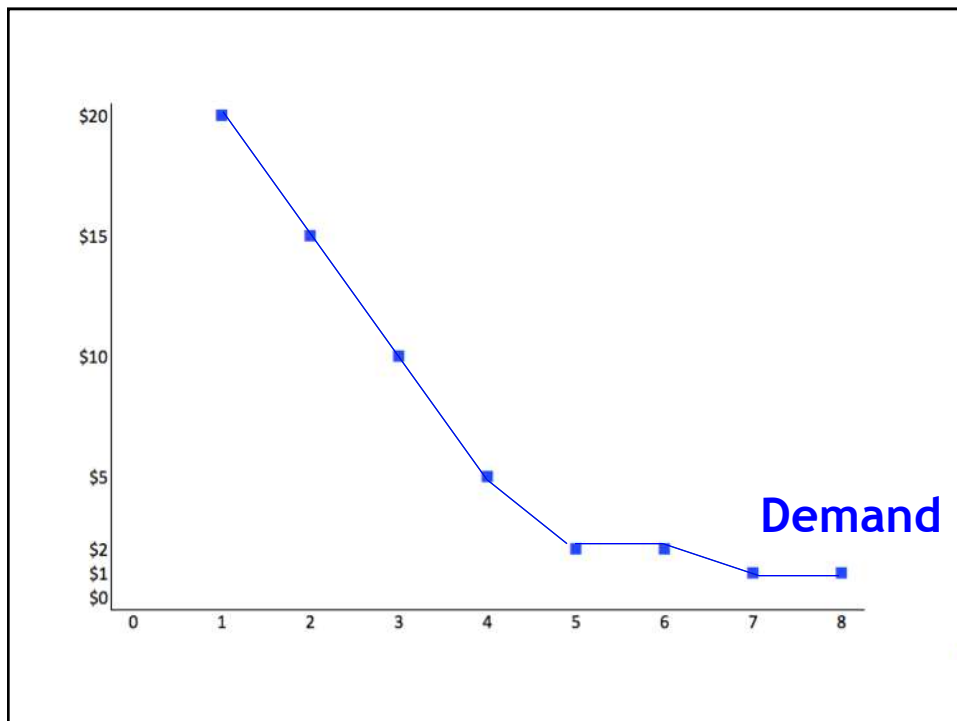


Example: Windchimes in Wendover on Wednesday

An economy with just eight people and one day:

- Allen, who adores windchimes and would pay \$20 for one.
- Bonnie, who thinks windchimes are okay, and would pay \$15 for one.
- Chuck, finds windchimes uncharming, but he would buy one at \$10 just to have the option of annoying his neighbor, Darla, if Darla's incense burning was annoying him.
- Darla hates windchimes and she would only pay \$5 for one, which she could use for smashing with a hammer to let off steam. If the price were \$2, she'd buy two. For \$1, she'd get up to 5 and smash them all.
- Wendy, loves making wind chimes, and she's good at it. She can churn out two out for \$5 each.
- Xavier likes making things out of metal and clay. It would be worth it for him to make one set of windchimes if it could fetch \$10.
- Yvonne like playing video games and not working. It would only be worth it for her to make one set of windchimes if she got \$15 for it.
- Zendaya is a successful celebrity actor and singer. For it to be worth it to her to make windchimes, she'd have to be paid \$20 each, and even then she'd mostly do it for Instagram value. But she's a fast worker, so she could make four.

What is the efficient number of windchimes for this society to produce?

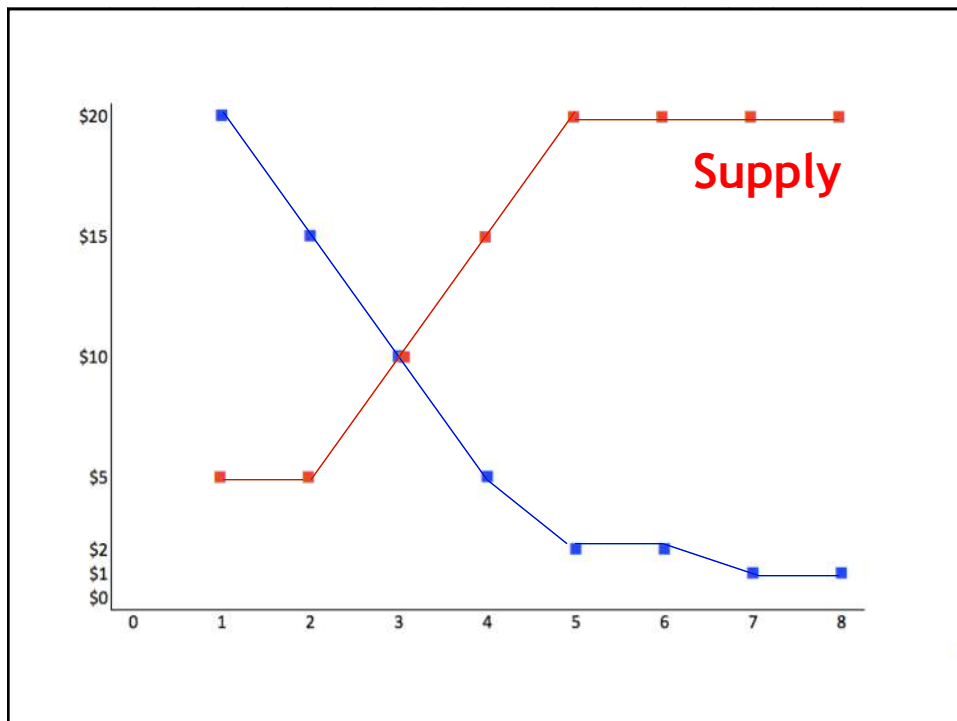


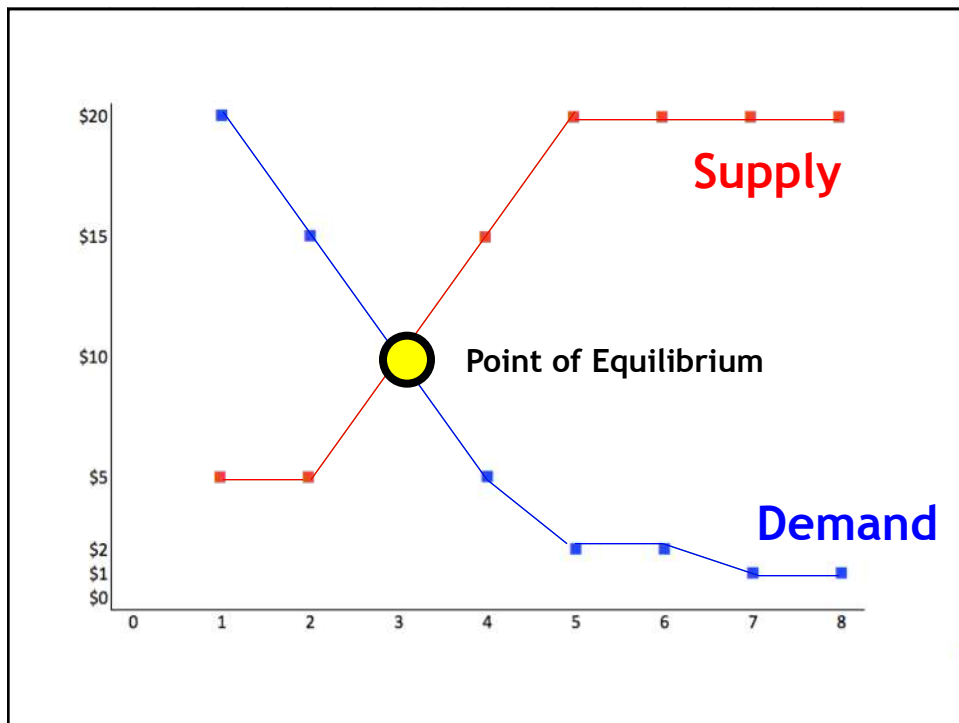
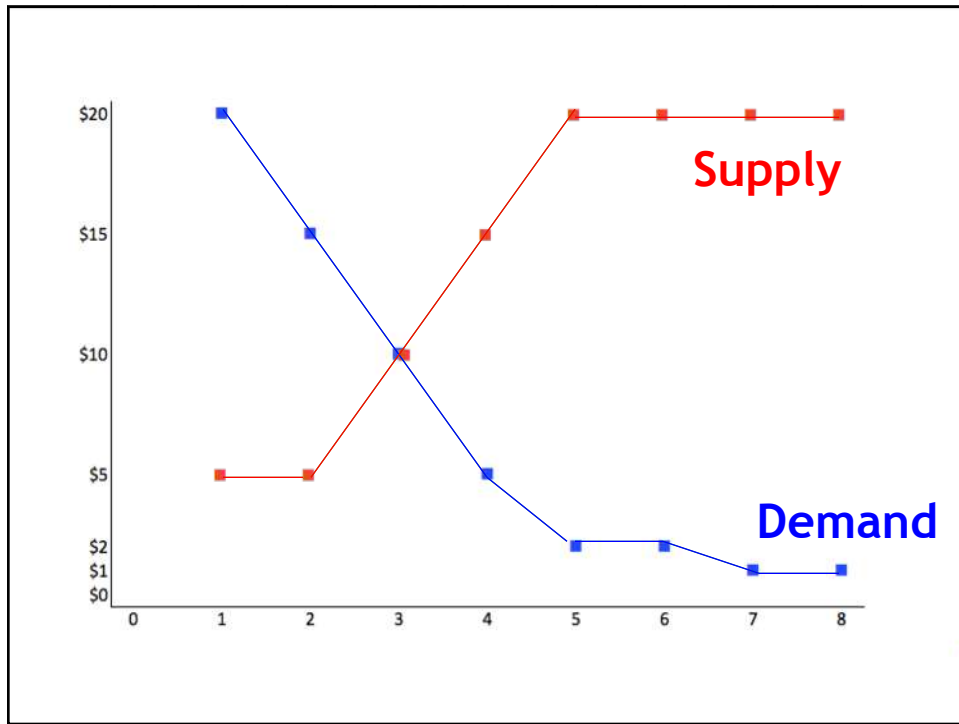
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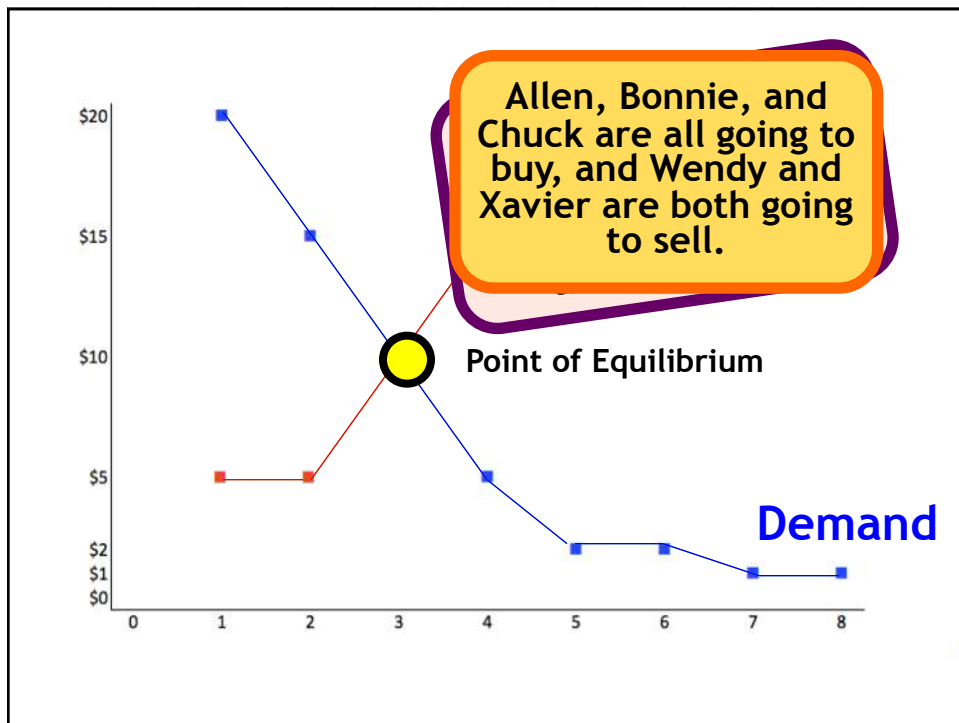
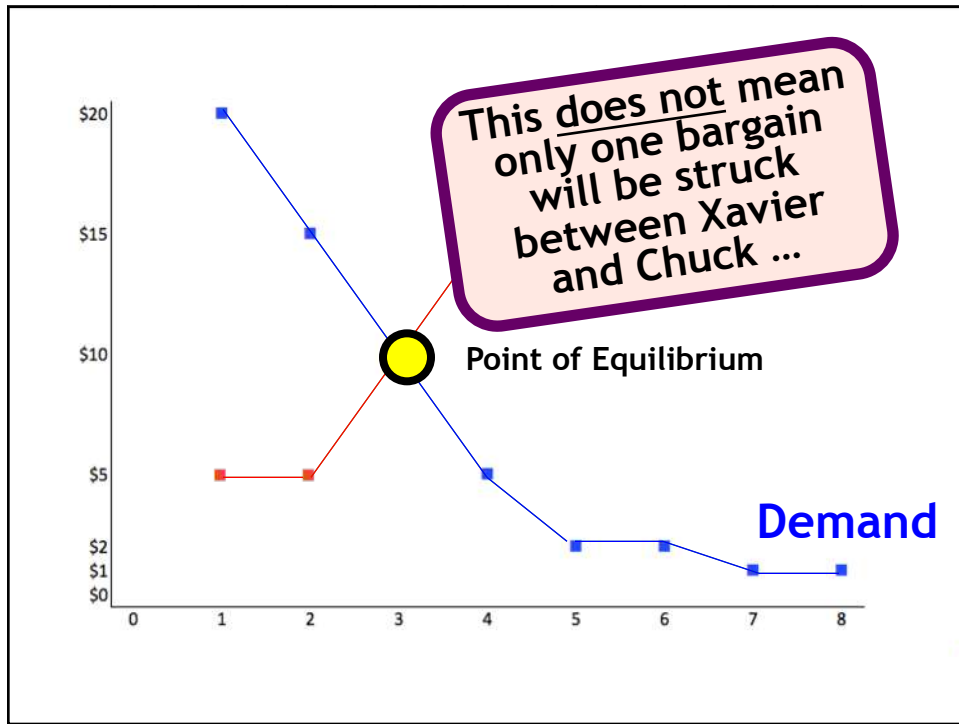
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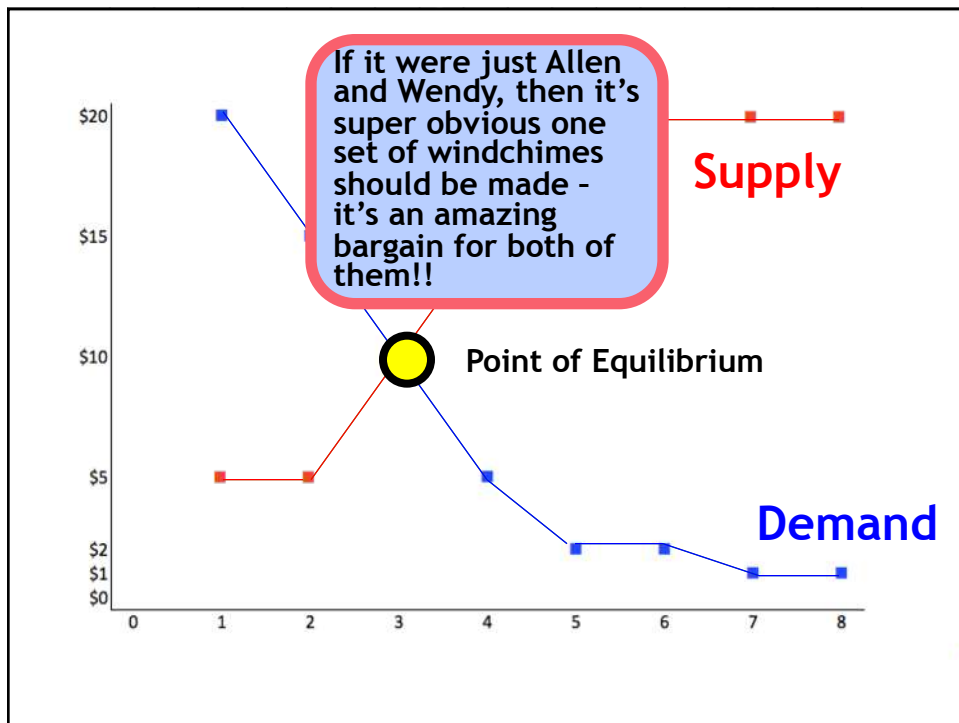
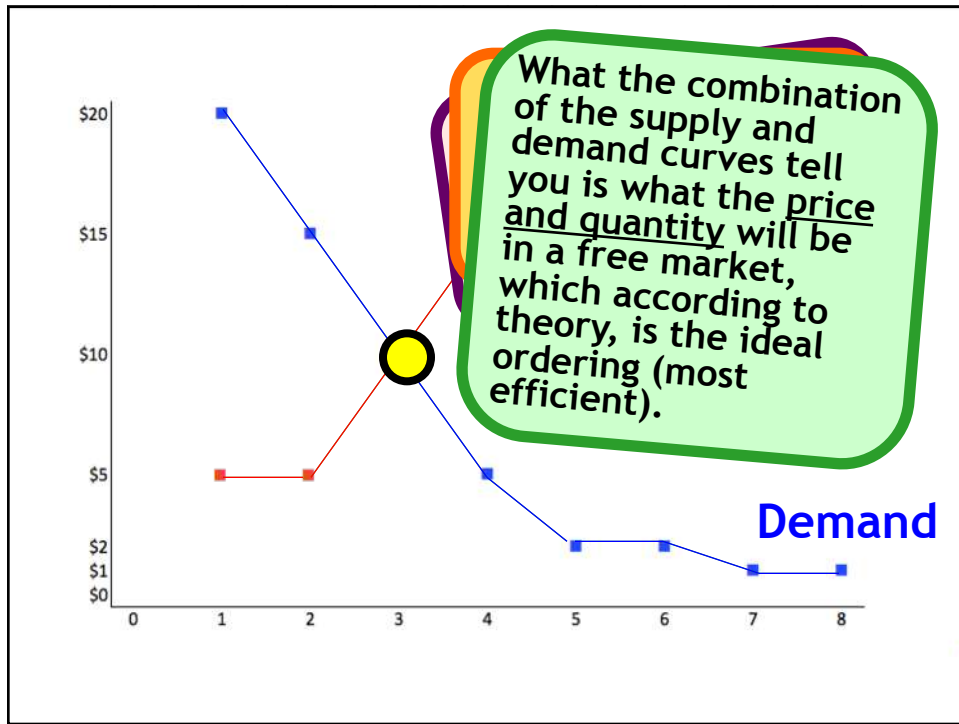
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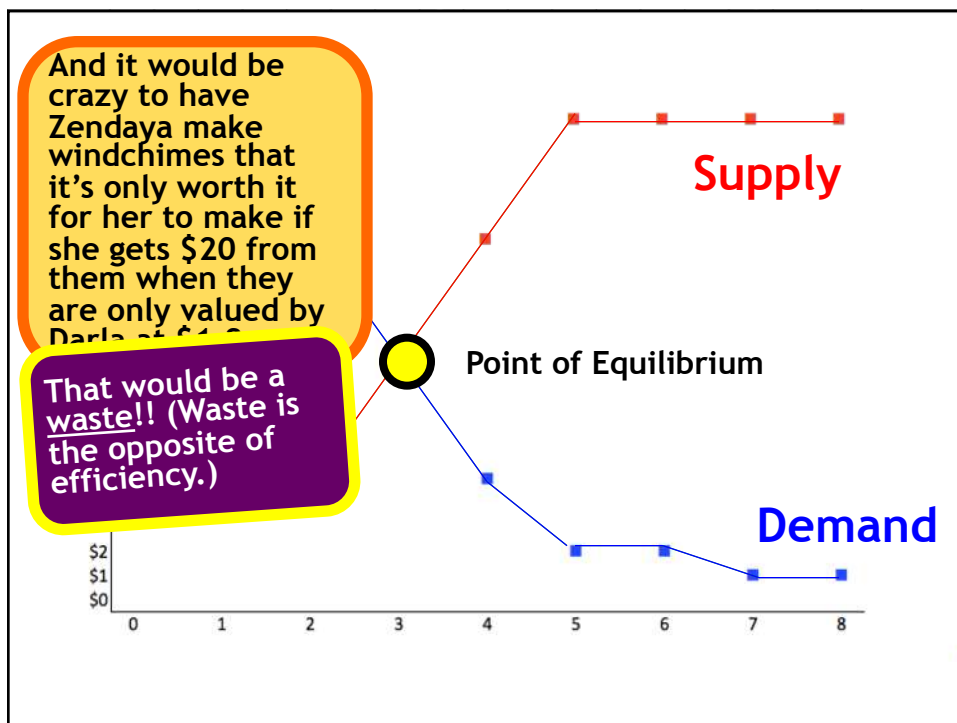
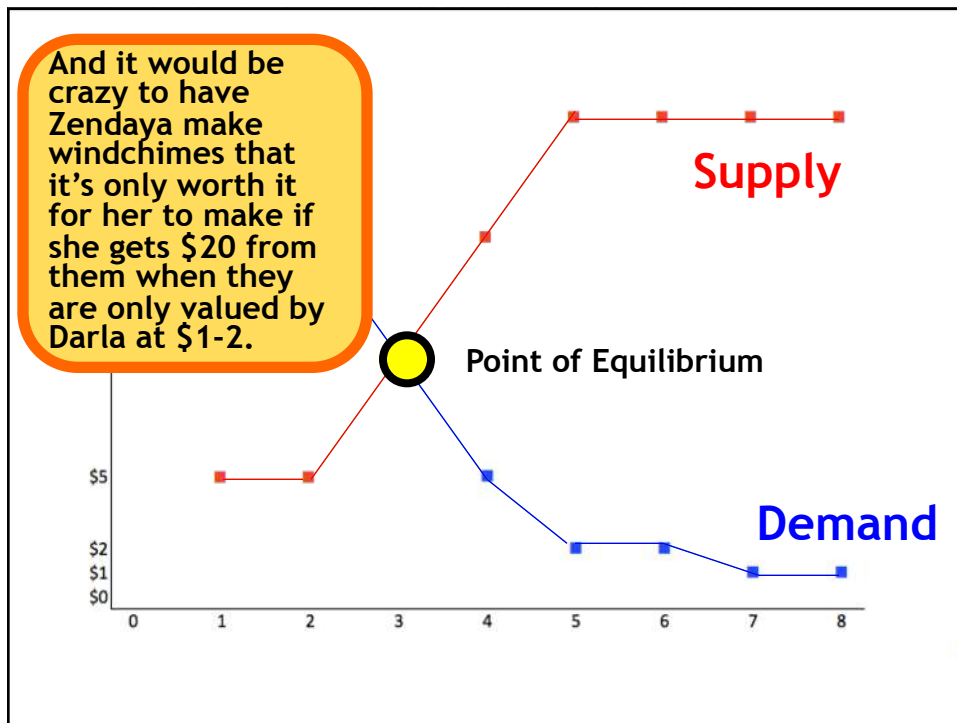
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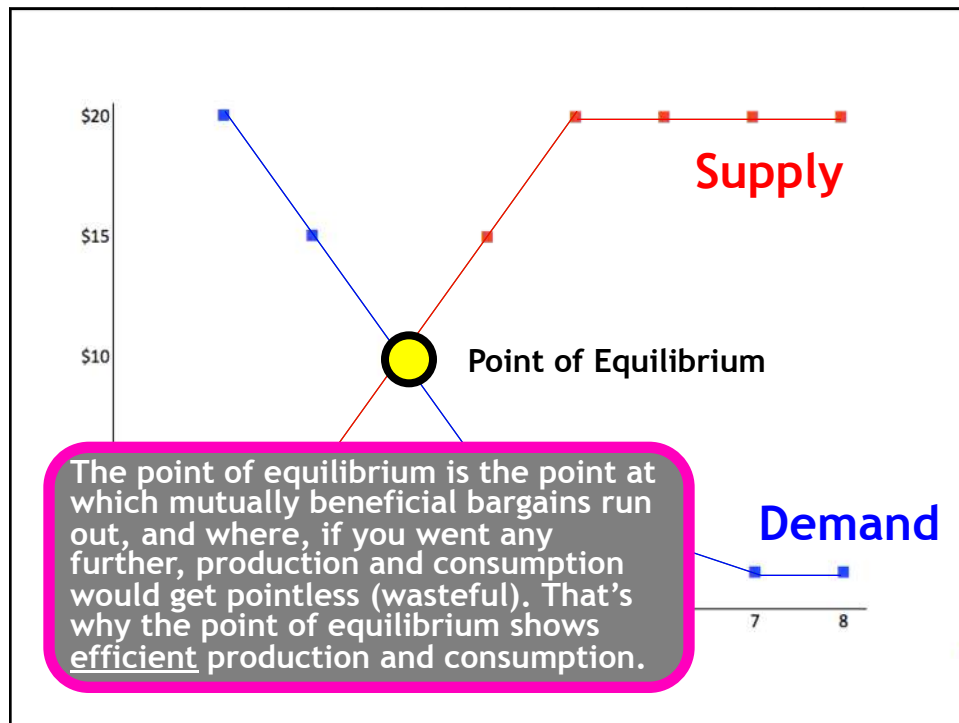










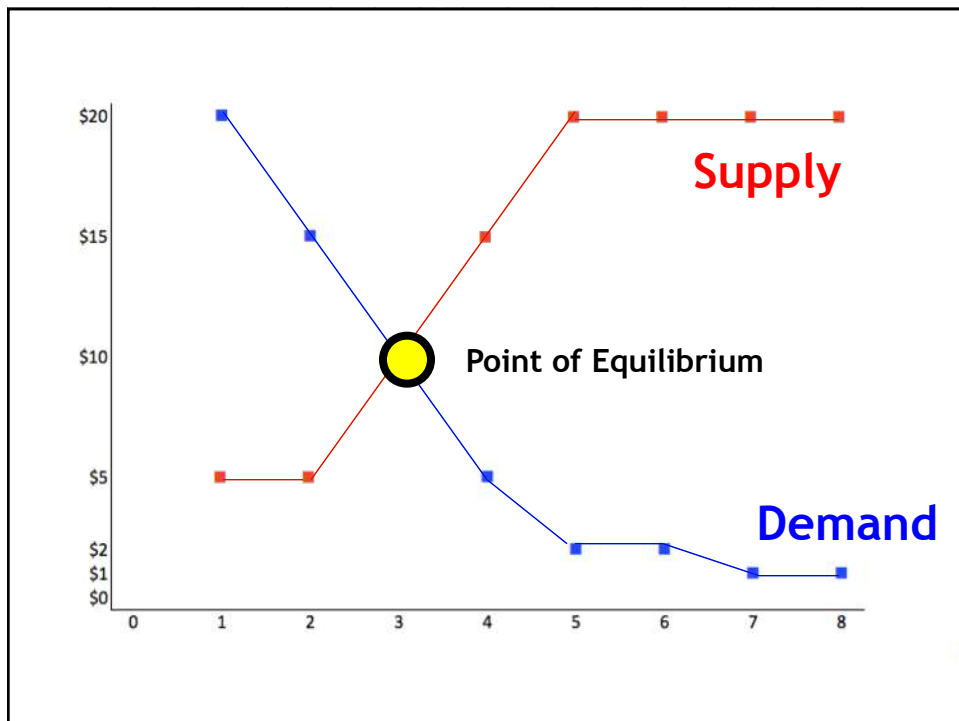


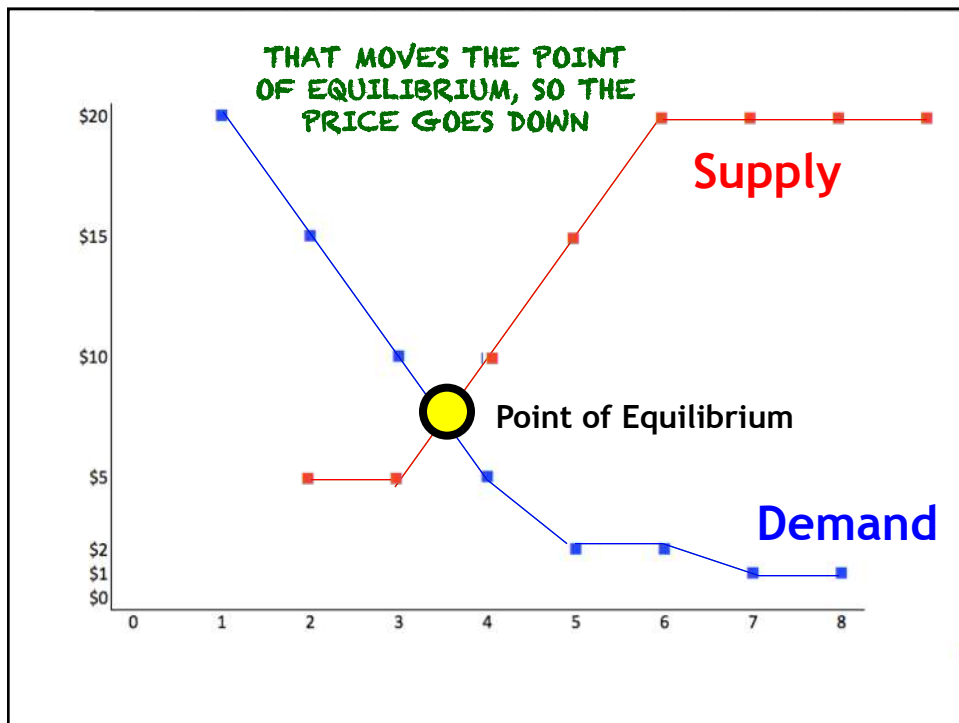
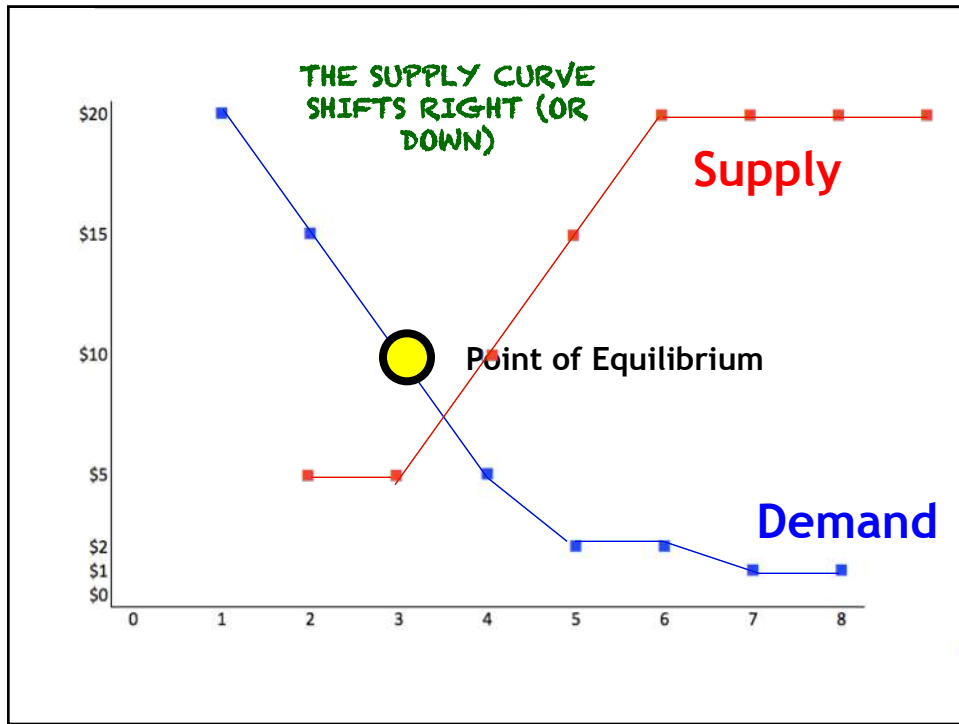
[TALKING ABOUT
SHIFTS IN THE
SUPPLY AND DEMAND
CURVES ...]

What if ...

Let's assume everyone is bored so they have more time and therefore more willingness to make windchimes ...

An electromagnetic pulse device goes off over Wendover disabling all electronics?





Exercise: Gas Prices

What if ...

A new drilling technology allows more oil deposits to be reachable and extractable at the same level of investment?

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THE SUPPLY CURVE SHIFTS
RIGHT (OR DOWN), PRICE
GOES DOWN

What if ...

A cultural shift caused by movies and television makes it trendy to carpool, buy fuel efficient cars, and walk or bike instead of drive?

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THE DEMAND CURVE
SHIFTS LEFT (OR
DOWN), PRICE GOES
DOWN

What if ...

A cultural shift caused by movies and television makes people crave sports cars and SUVs with powerful V8 engines?

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THE DEMAND CURVE
SHIFTS RIGHT (OR
UP), PRICE GOES UP

What if ...

War in the Middle East causes an interruption of maritime traffic through the Strait of Hormuz?

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THE SUPPLY CURVE
SHIFTS LEFT (OR UP),
PRICE GOES UP

What if ...

An improving economy gives people more disposable income that they spend on goods and vacations?

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THE DEMAND CURVE
SHIFTS RIGHT (OR
UP), PRICE GOES UP

[THIS ABRIDGEMENT HAS NO ADDED MATERIAL FROM THE UNABRIDGED SLIDEDECKS, EXCEPT THAT THE NOTATIONS IN CHALKBOARD FONT WERE ADDED, AND SOME ADDITIONAL BLUE AND RED COLORING OF TEXT WAS DONE ON THE SLIDES BELOW IN ORDER TO COMBINE MULTIPLE SLIDES INTO ONE, AS SHOWN HERE:

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