



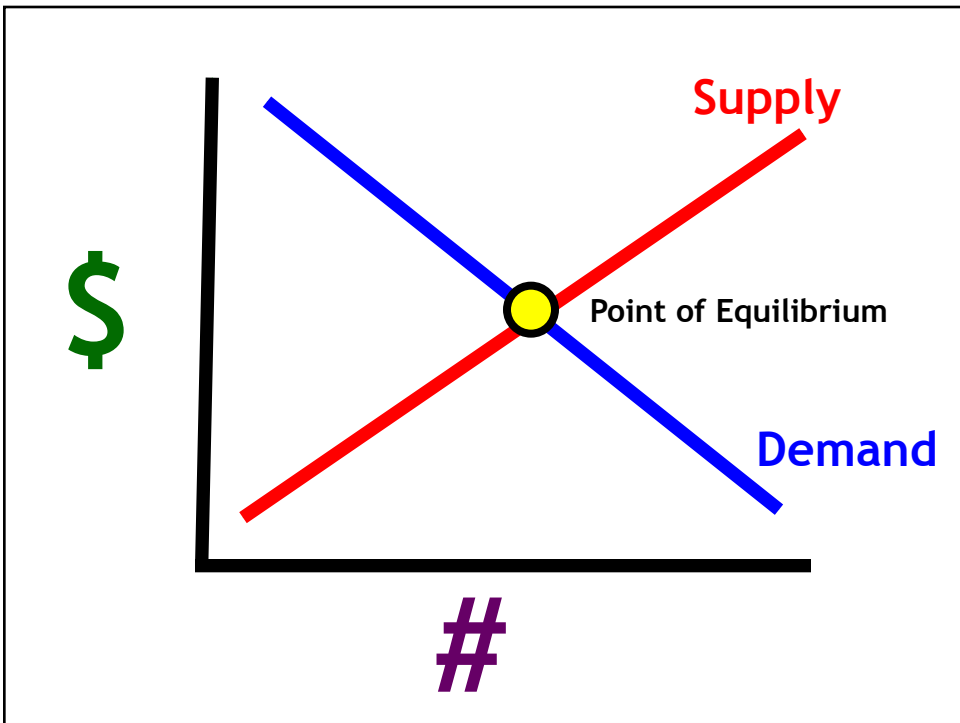
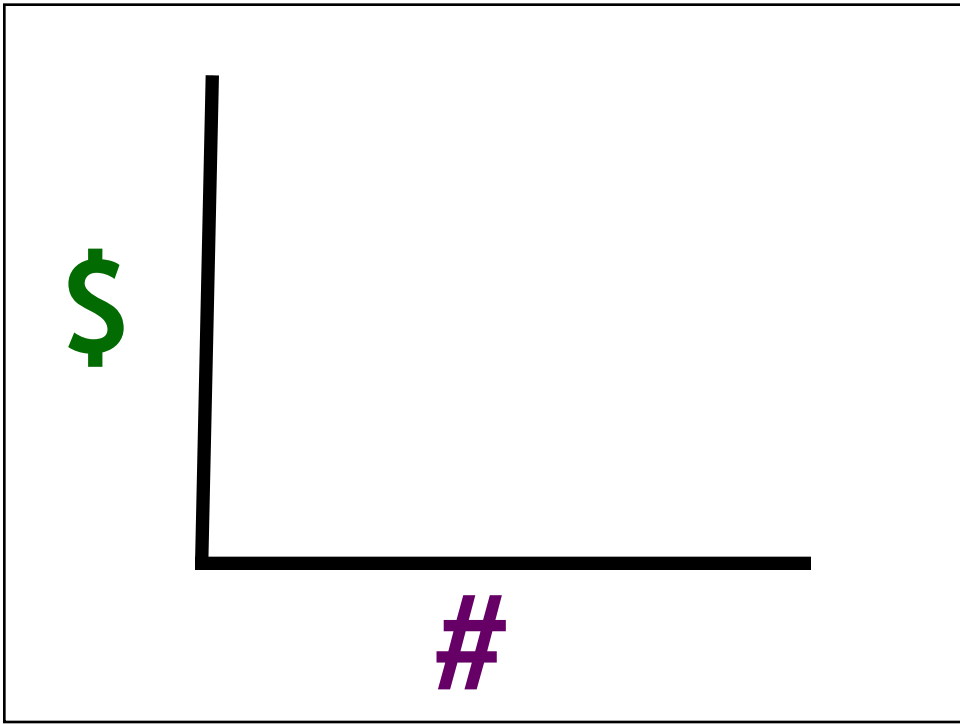
Supply and Demand Basics

Antitrust
Eric E. Johnson
ericejohnson.com



Konemark
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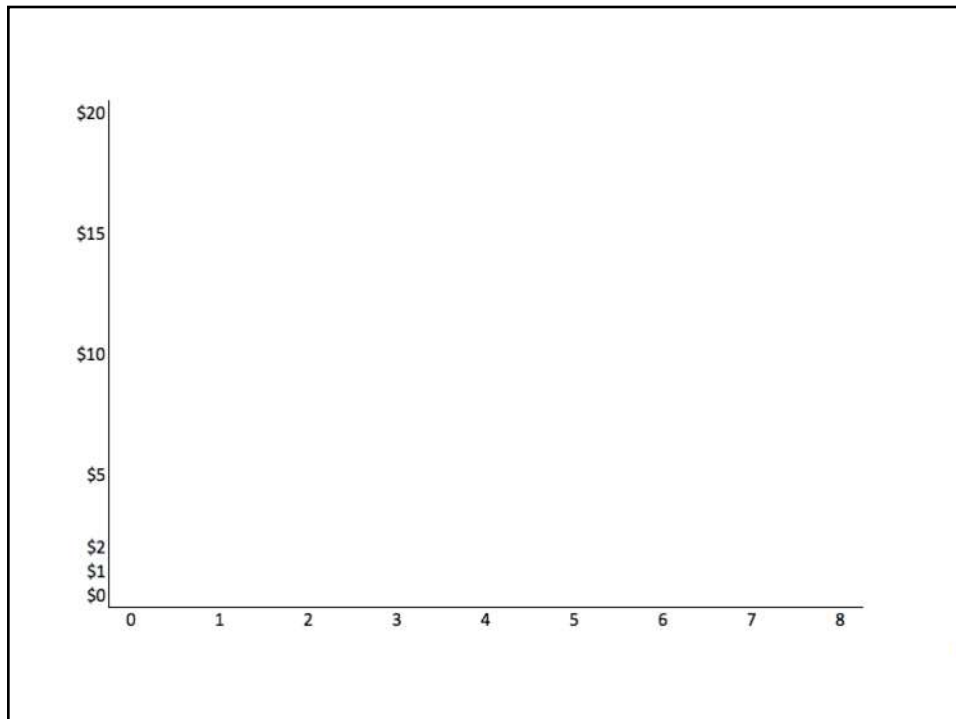


Example: Windchimes in Wendover on Wednesday

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.
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- 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?

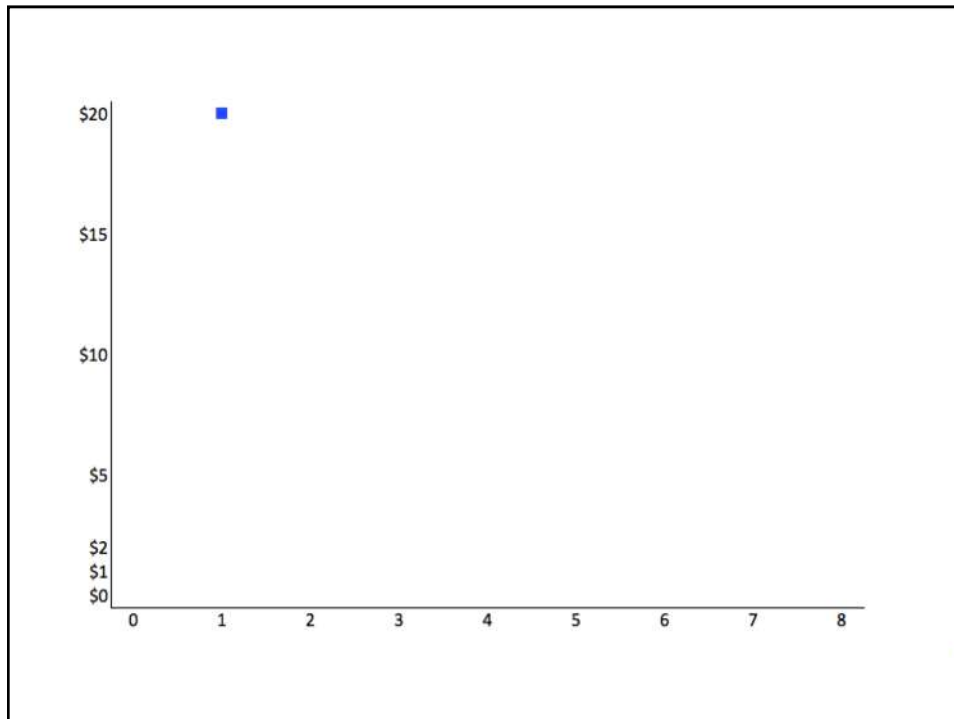


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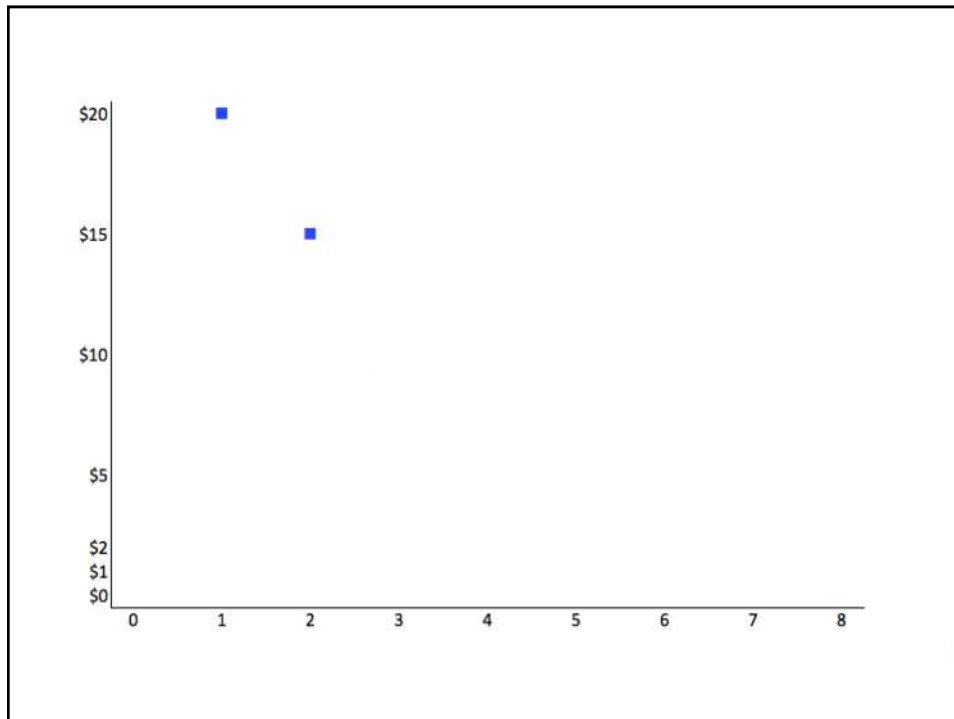


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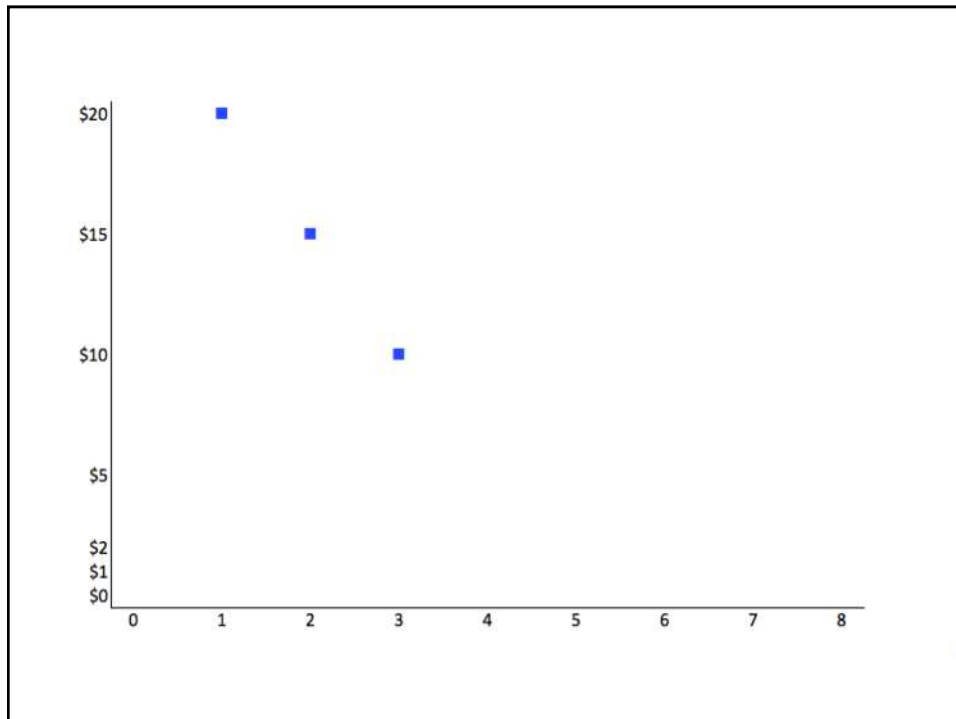


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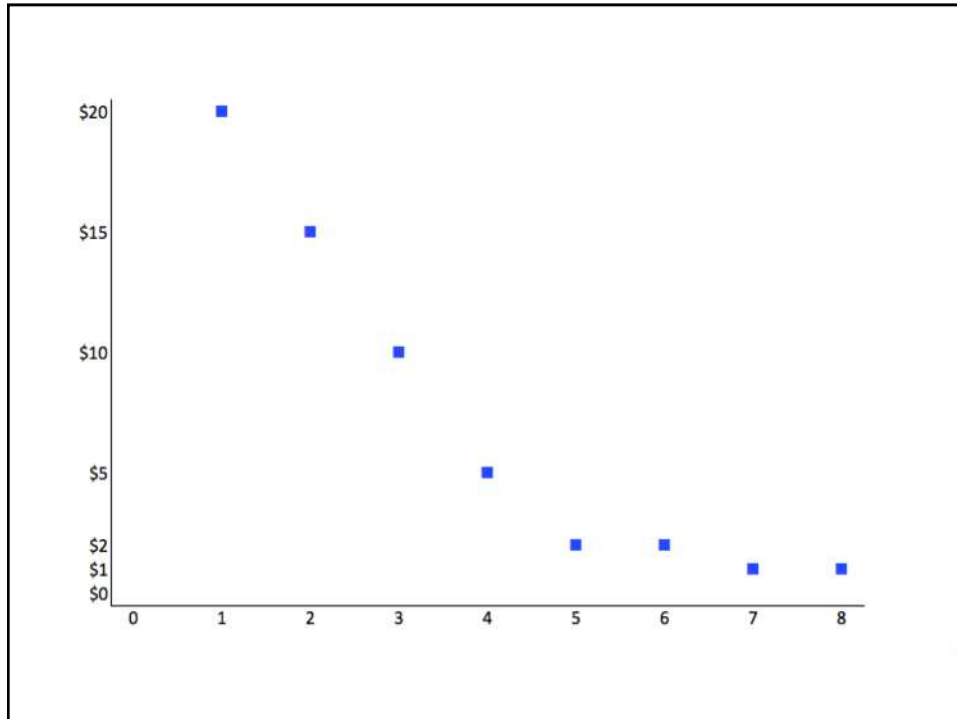


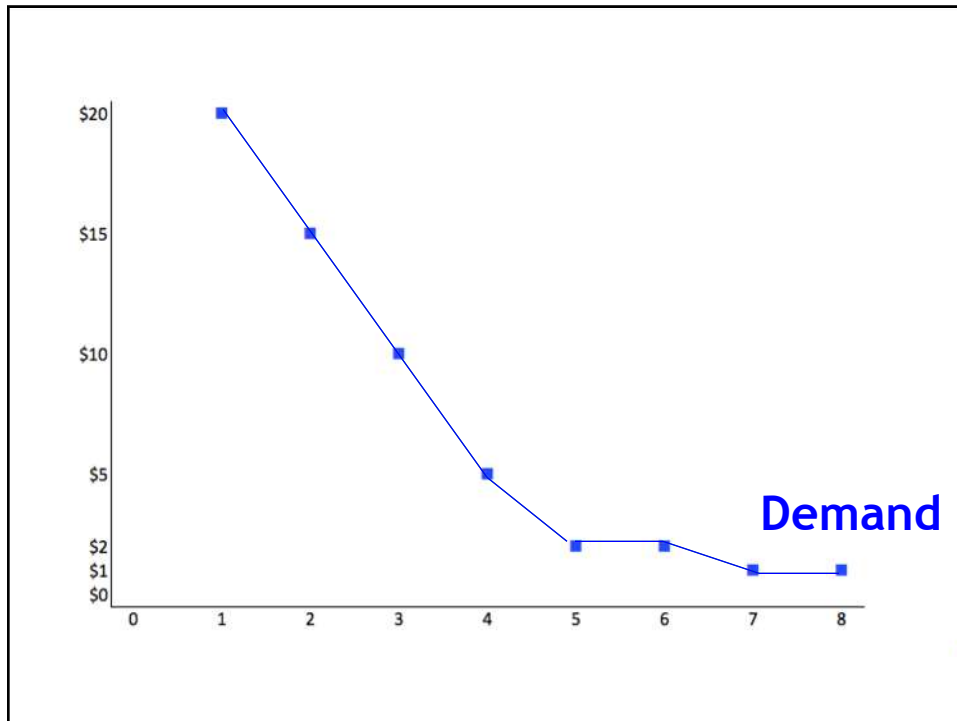
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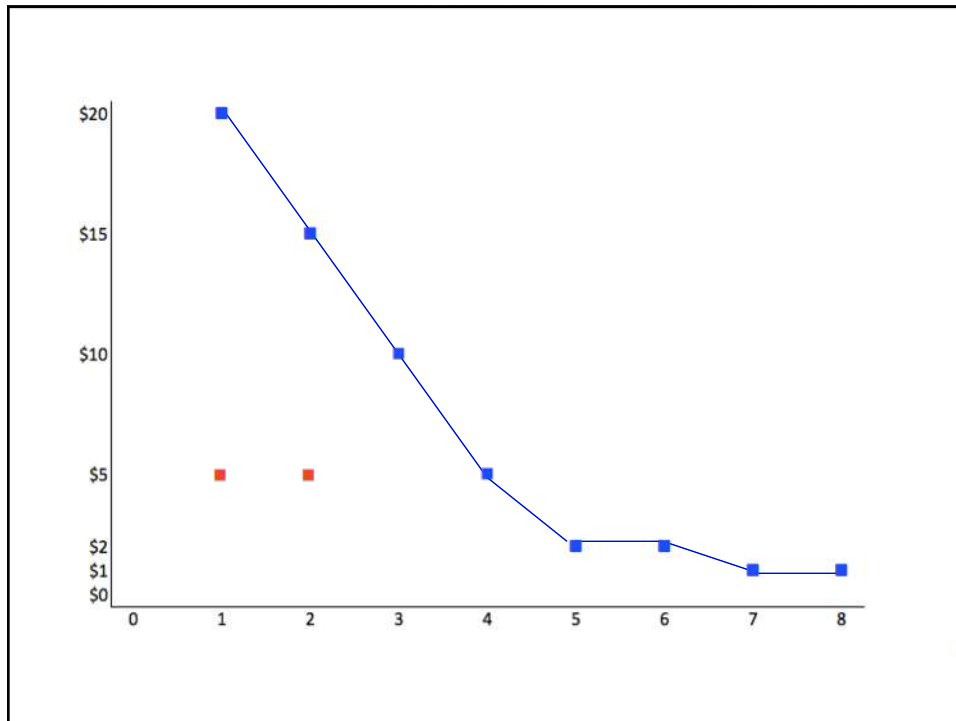


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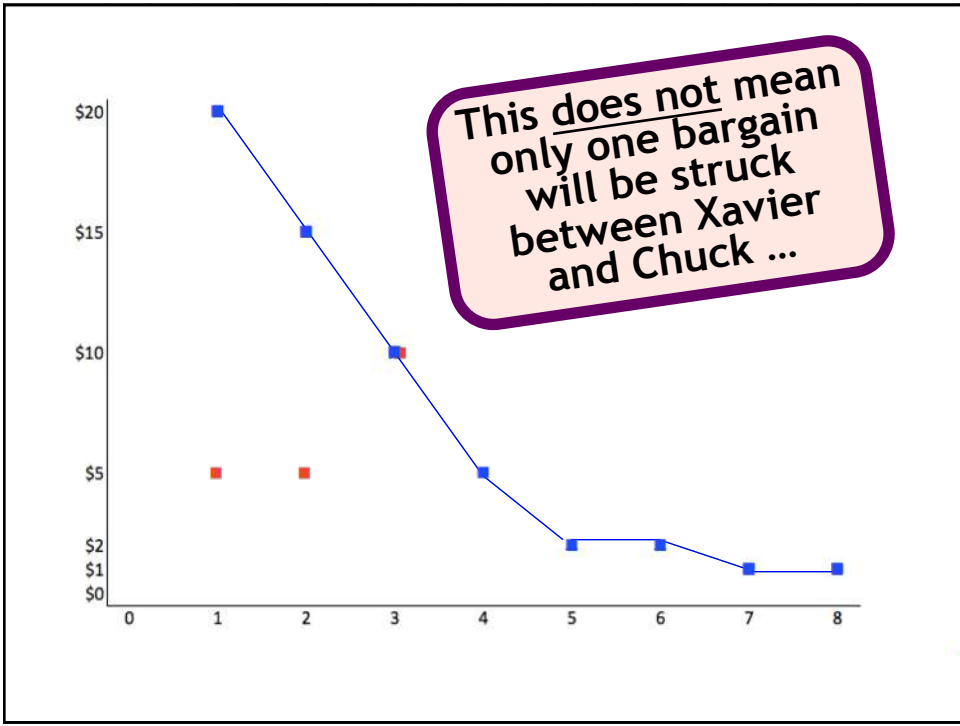
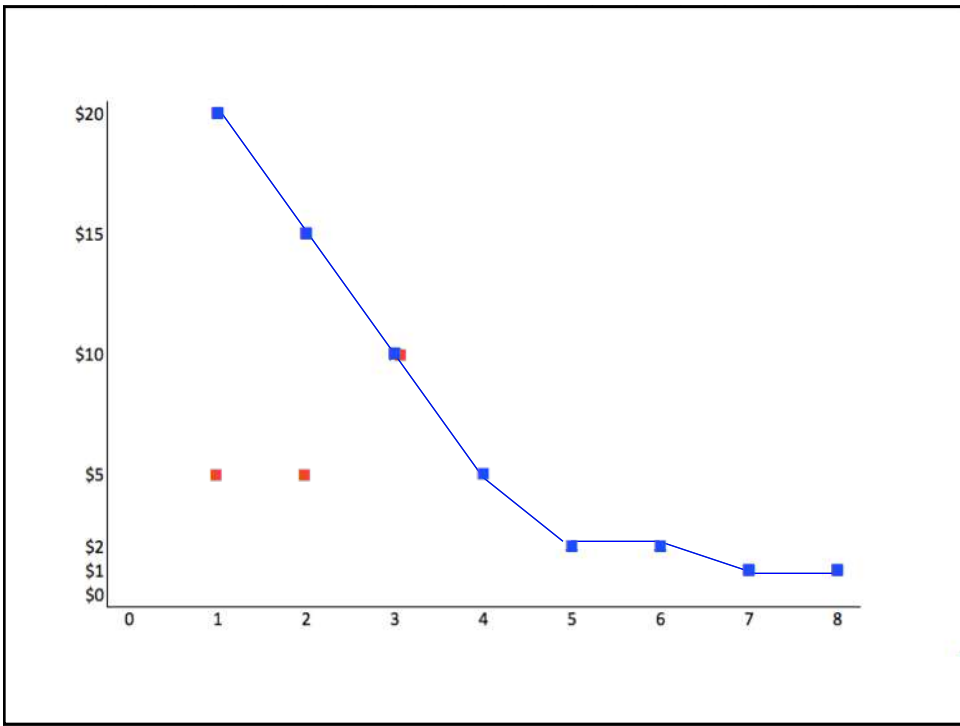


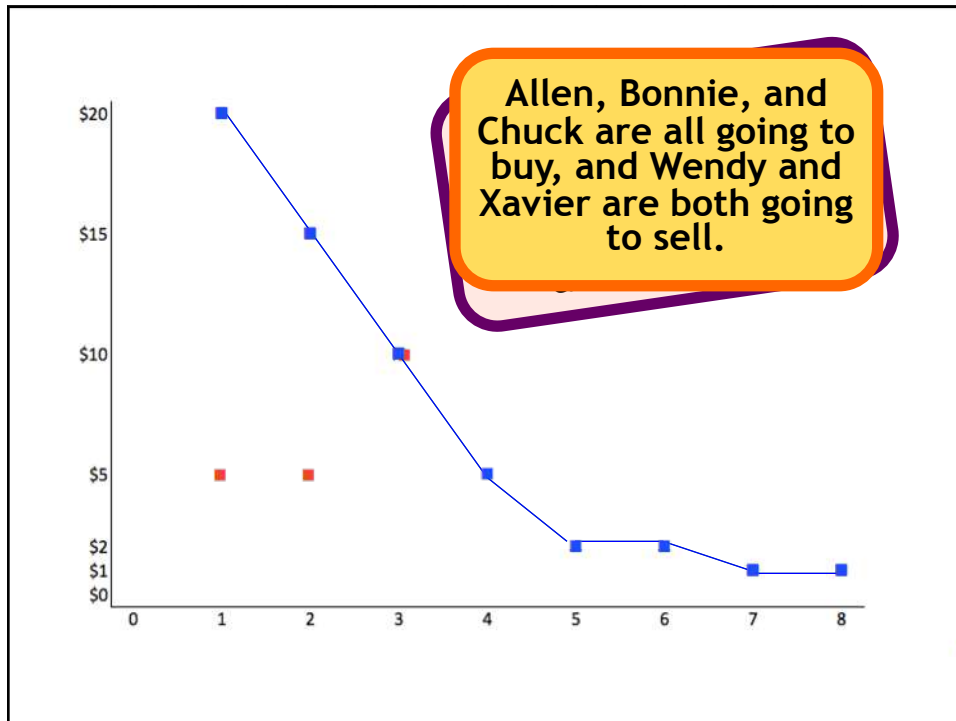
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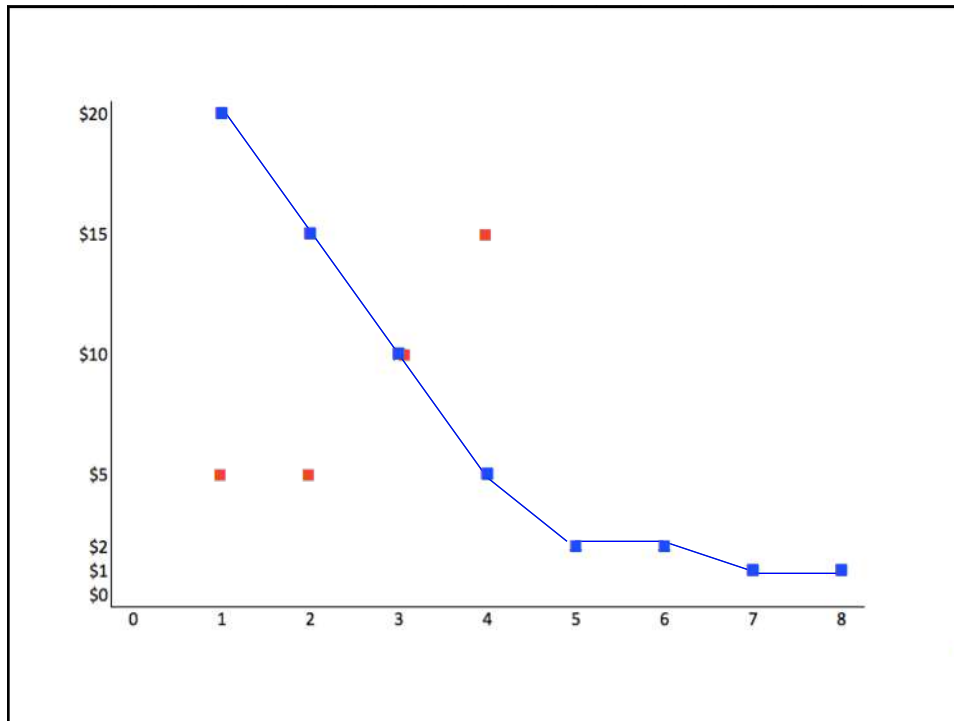


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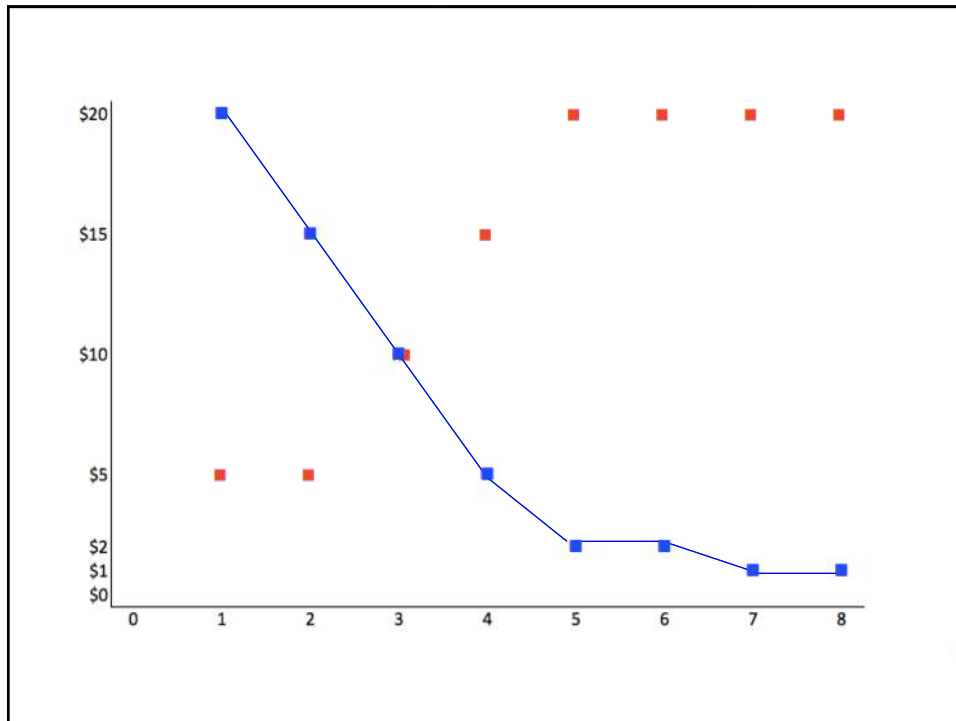


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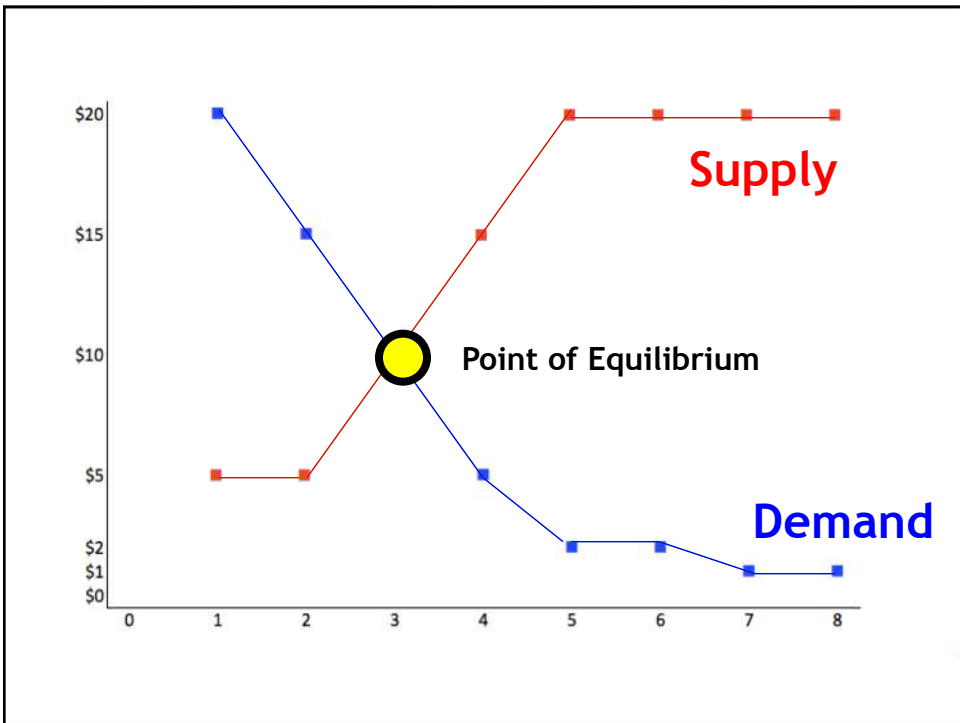
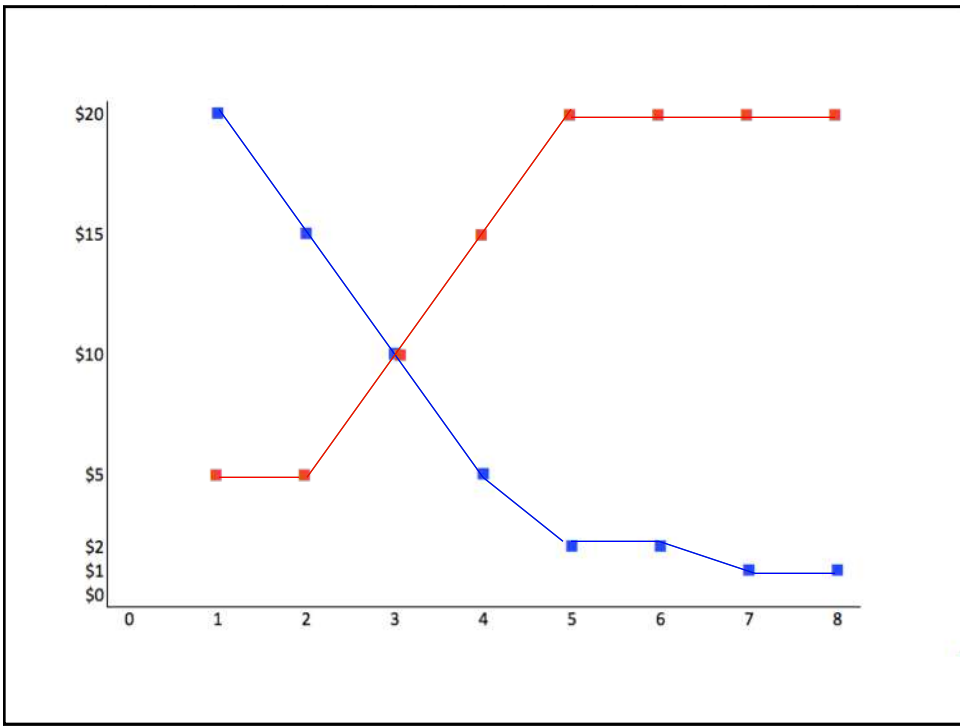


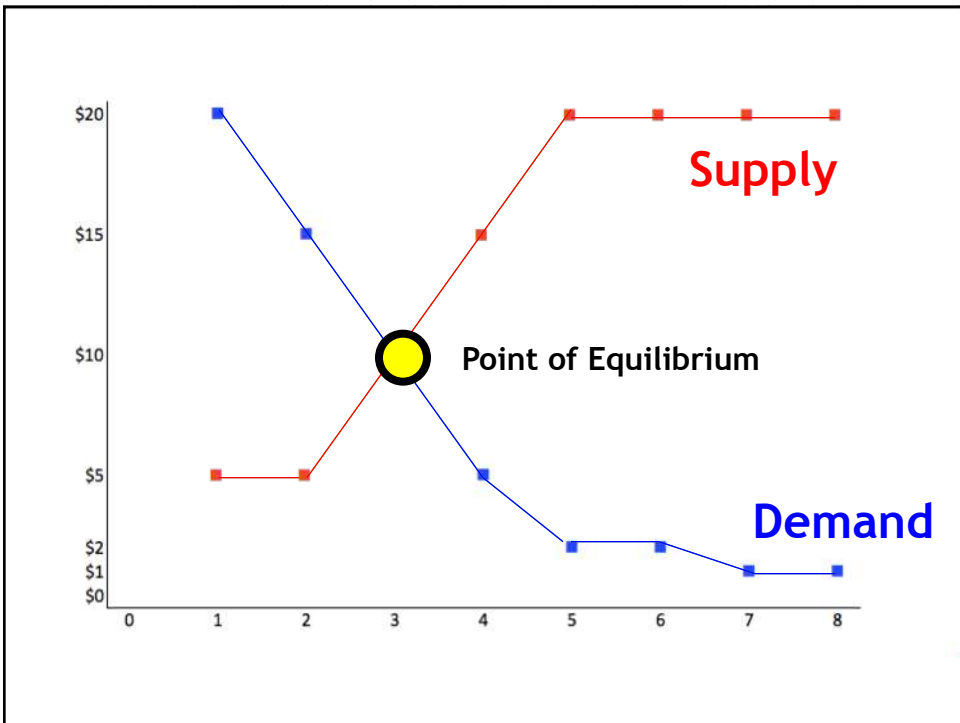
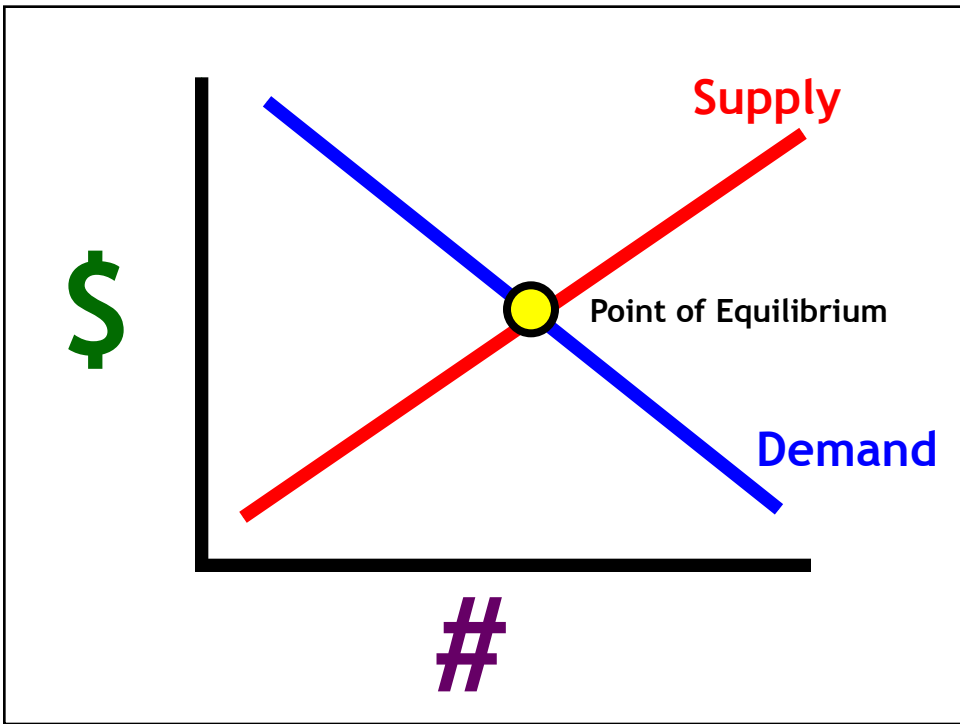
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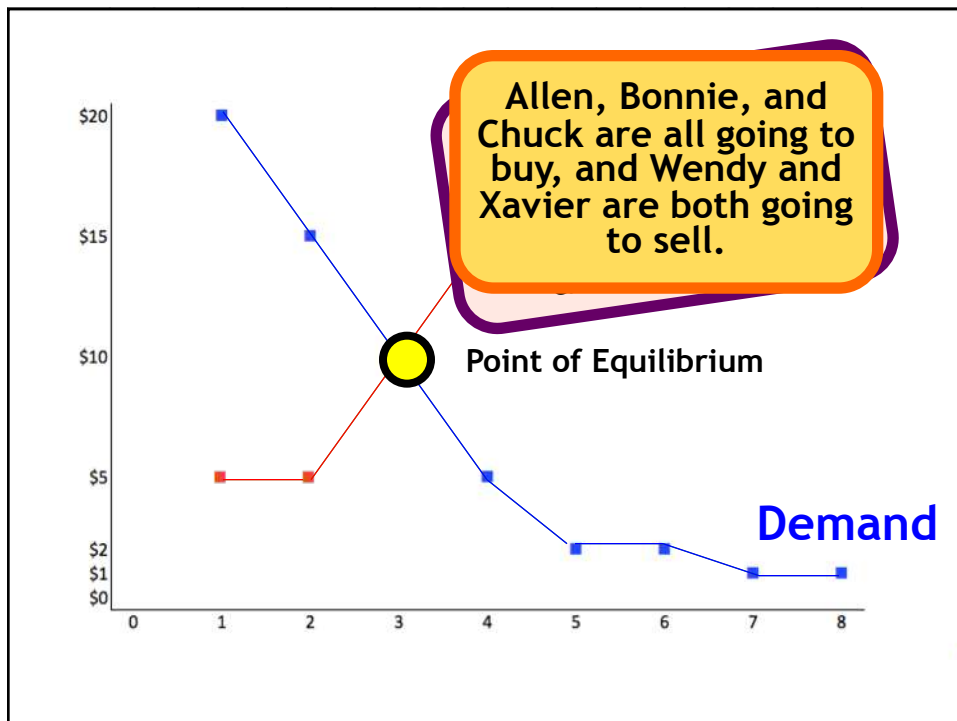
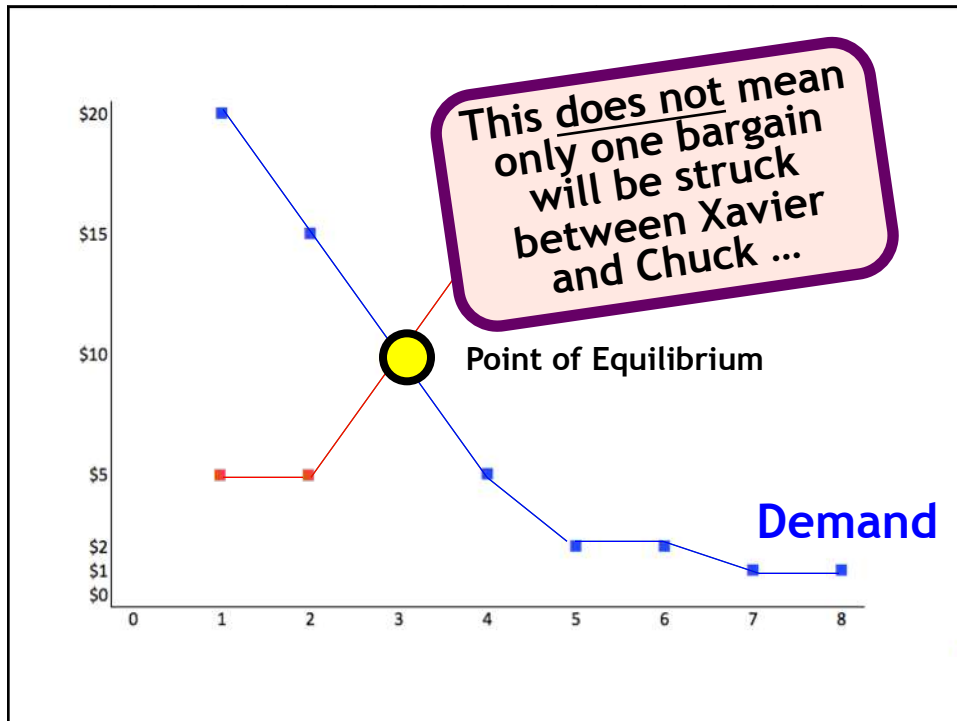
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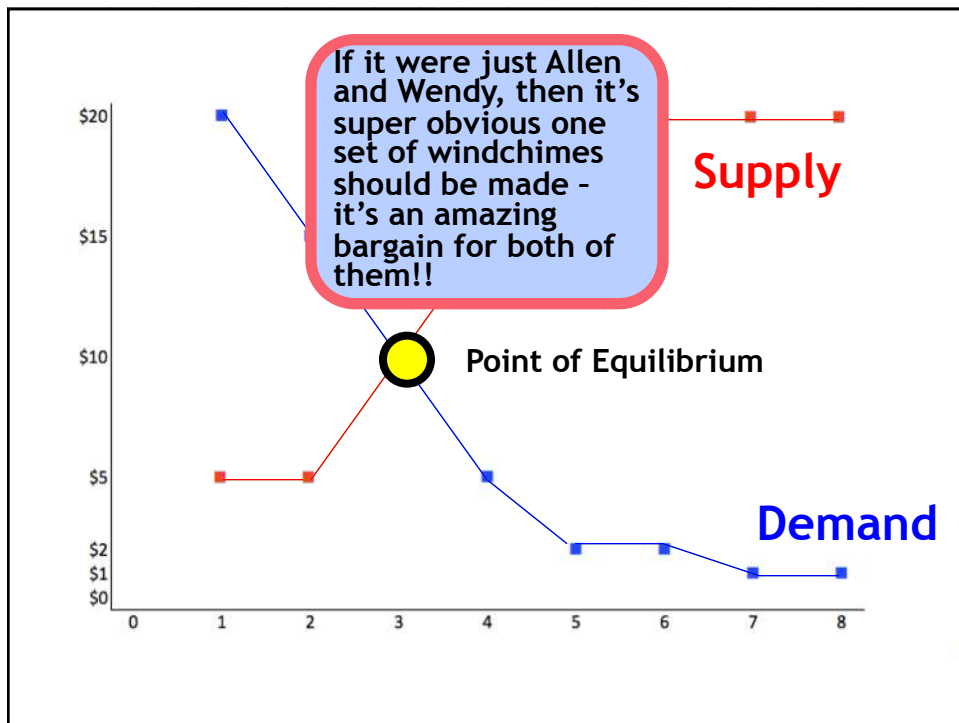
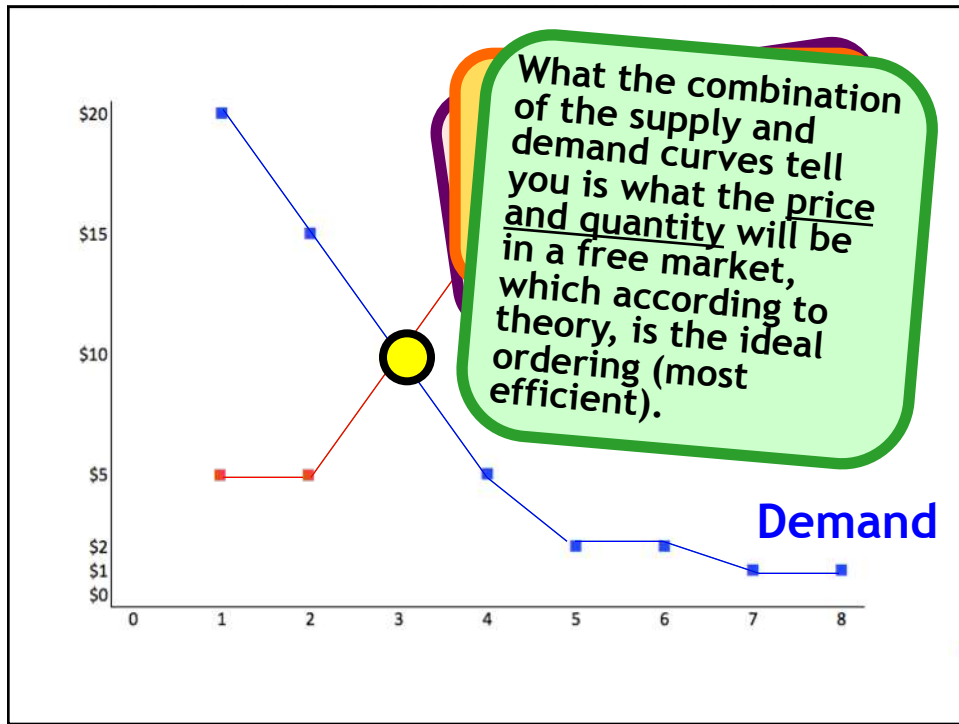
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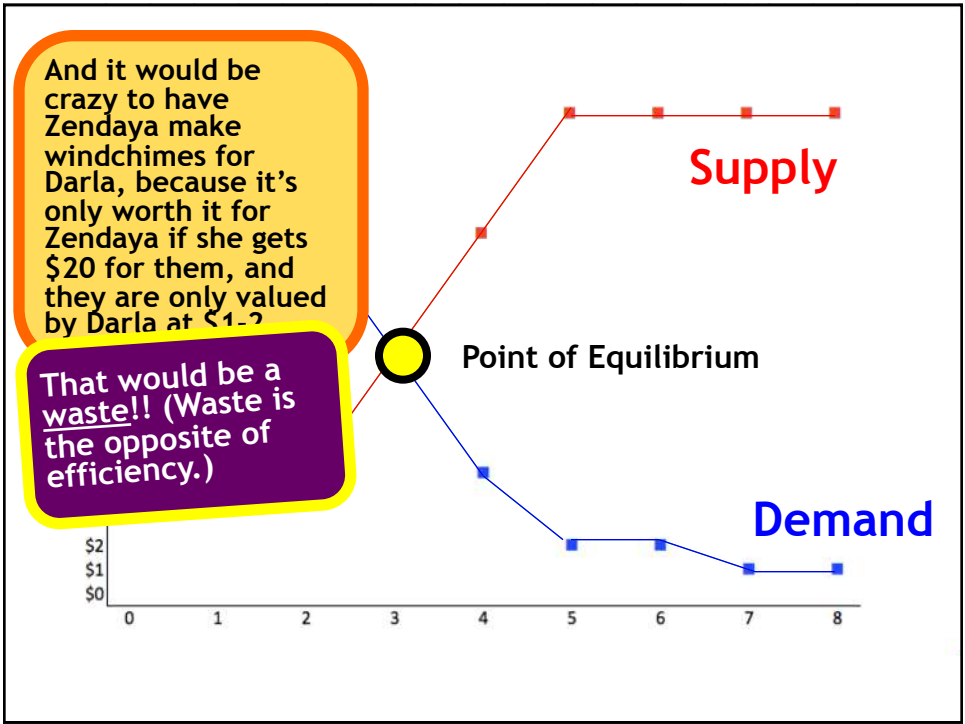
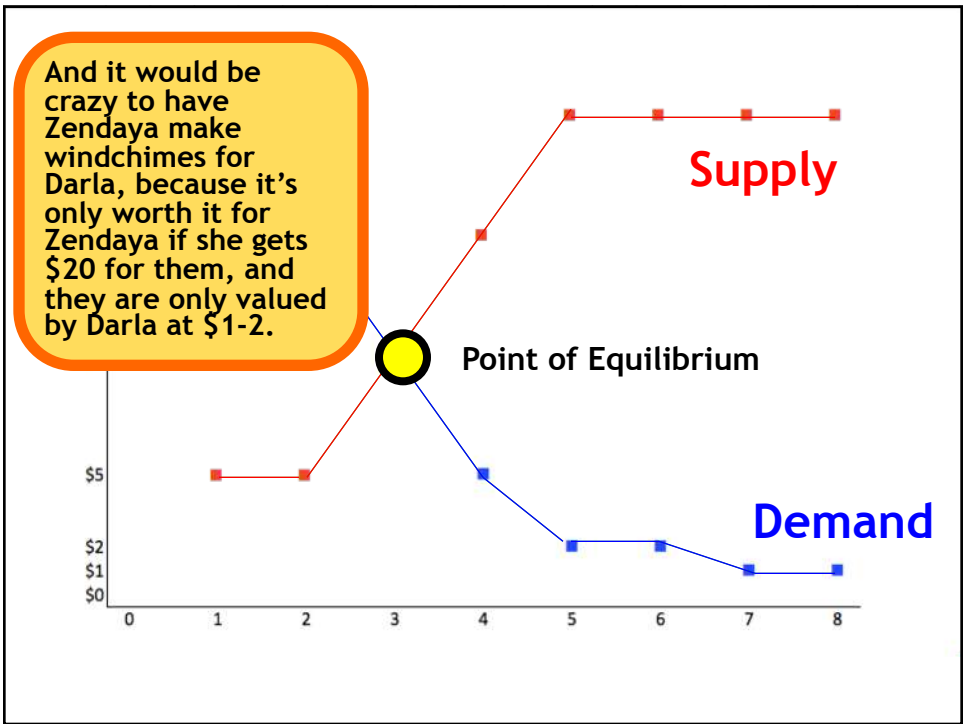
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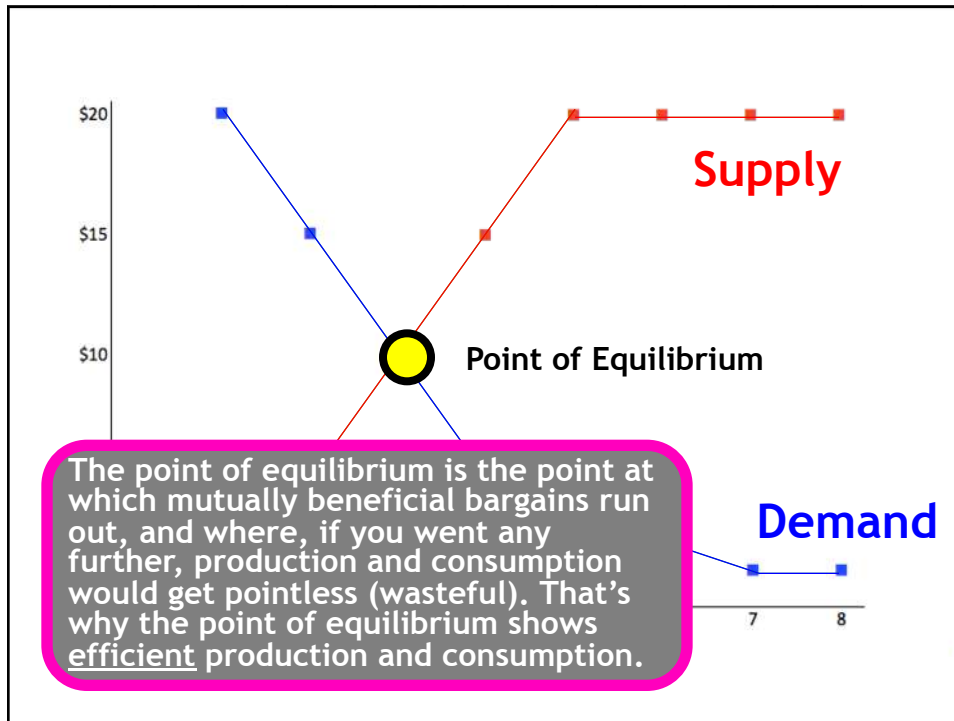










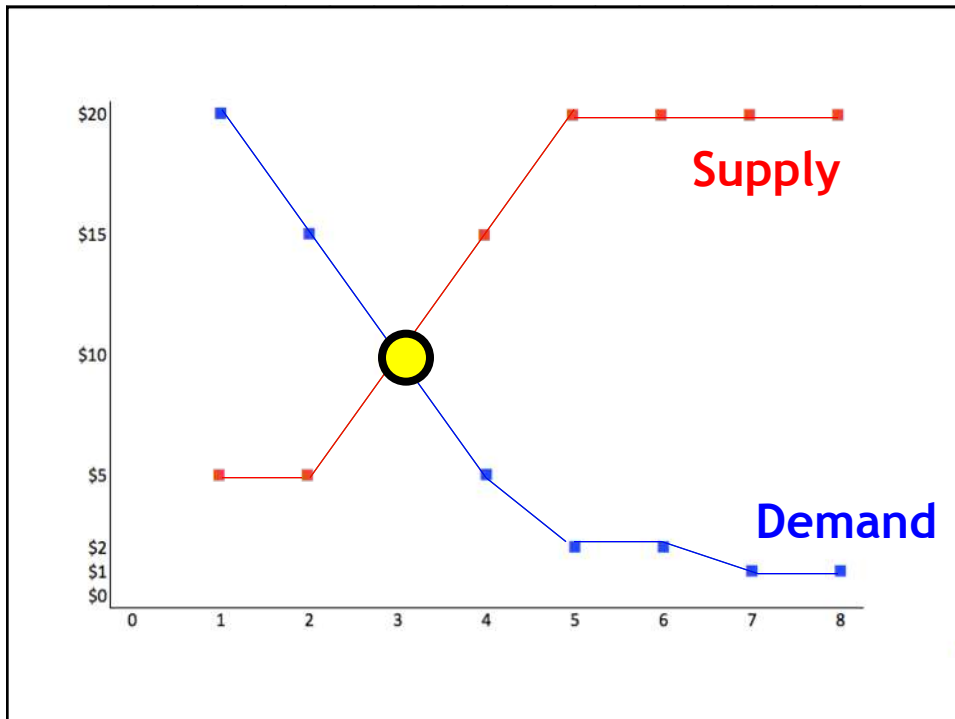


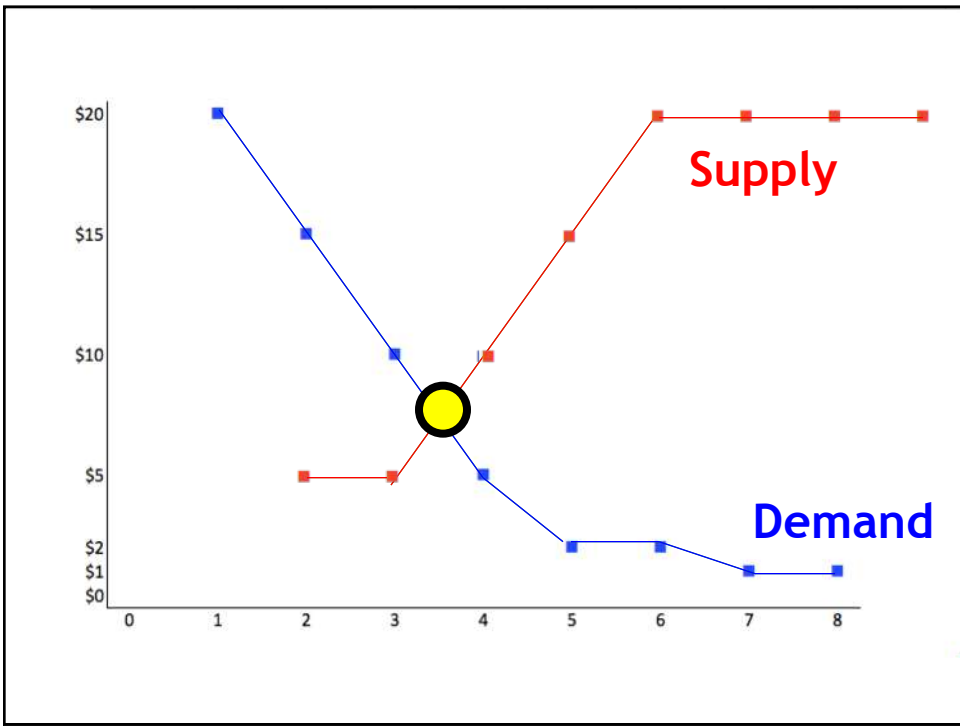
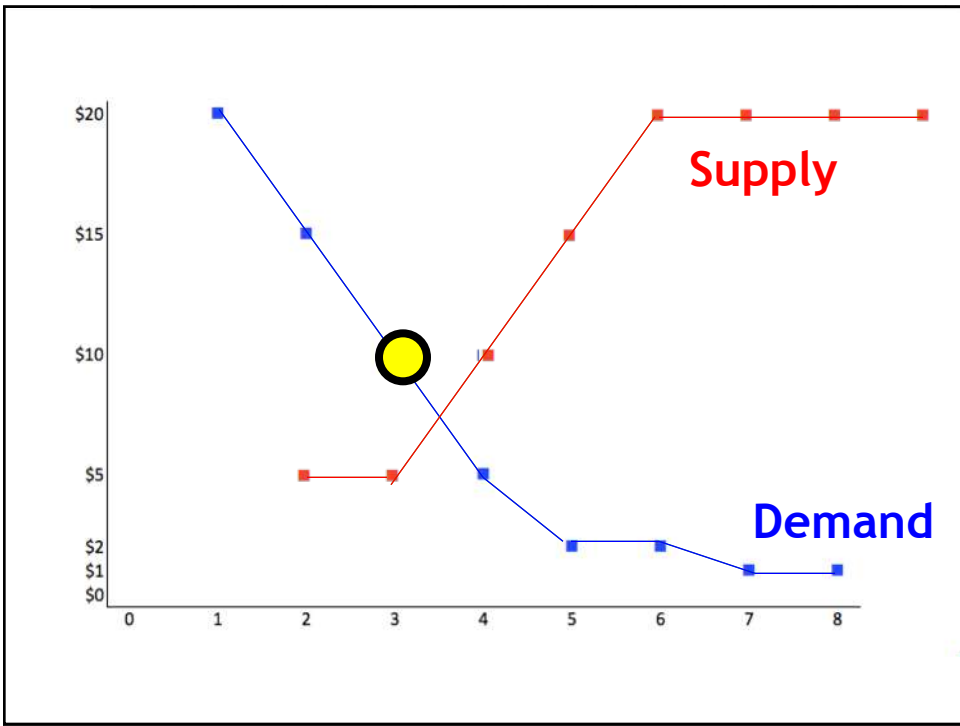
Let's talk about shifts in the supply and demand curves.

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?

What if ...

Supply curve shifts right; price of gas goes down.

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

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?

What if ...

Demand curve shifts left; price of gas goes down.

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

What if ...

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

What if ...

Demand curve shifts right; price of gas goes up.

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

What if ...

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

What if ...

Supply curve shifts left; price of gas goes up.

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

What if ...

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

What if ...

Demand curve shifts right; price of gas goes up.

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

What if ...

A fire/explosion at a major oil refinery takes that refinery off line for many months?

What if ..

Supply curve shifts left; price of gas goes up.

A fire/explosion at a major oil refinery takes that refinery off line for many months?