



Supply and Demand Curves

Antitrust
Eric E. Johnson
ericejohnson.com



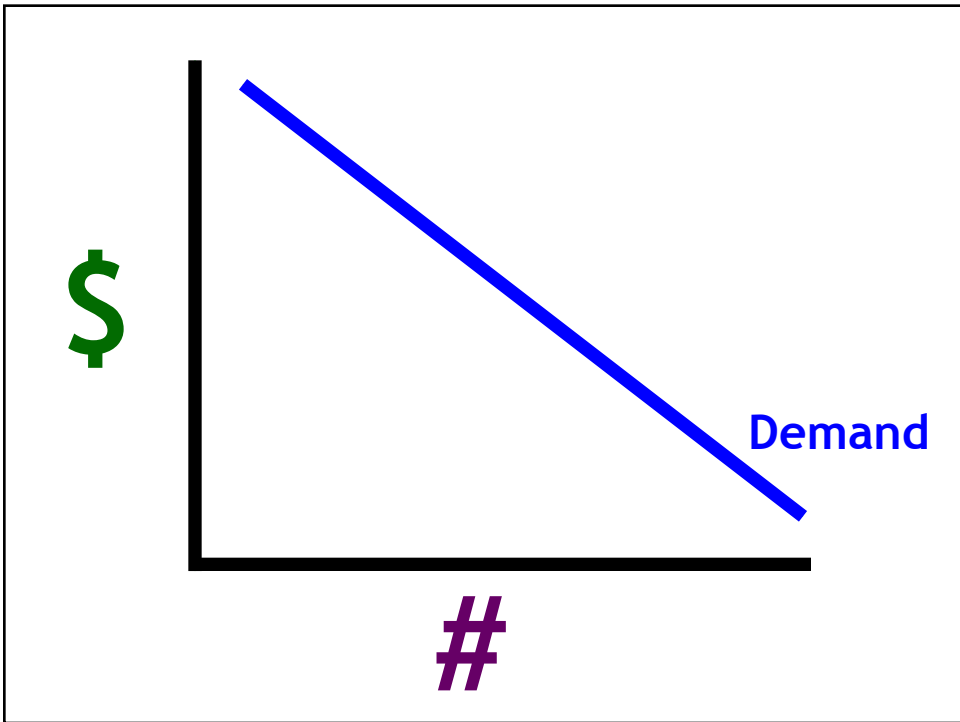
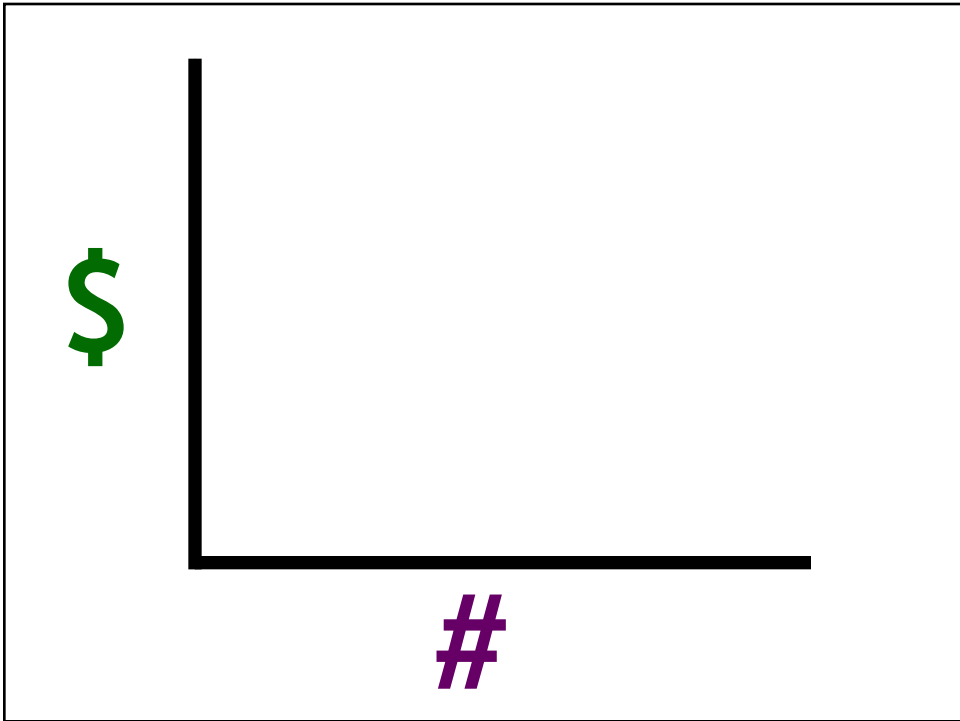
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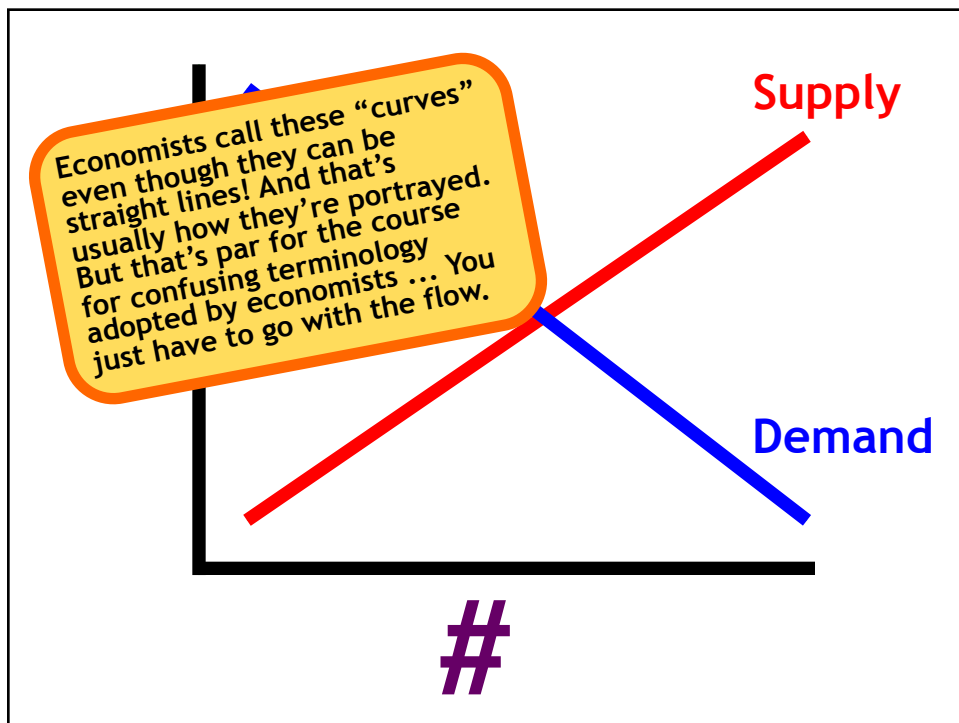
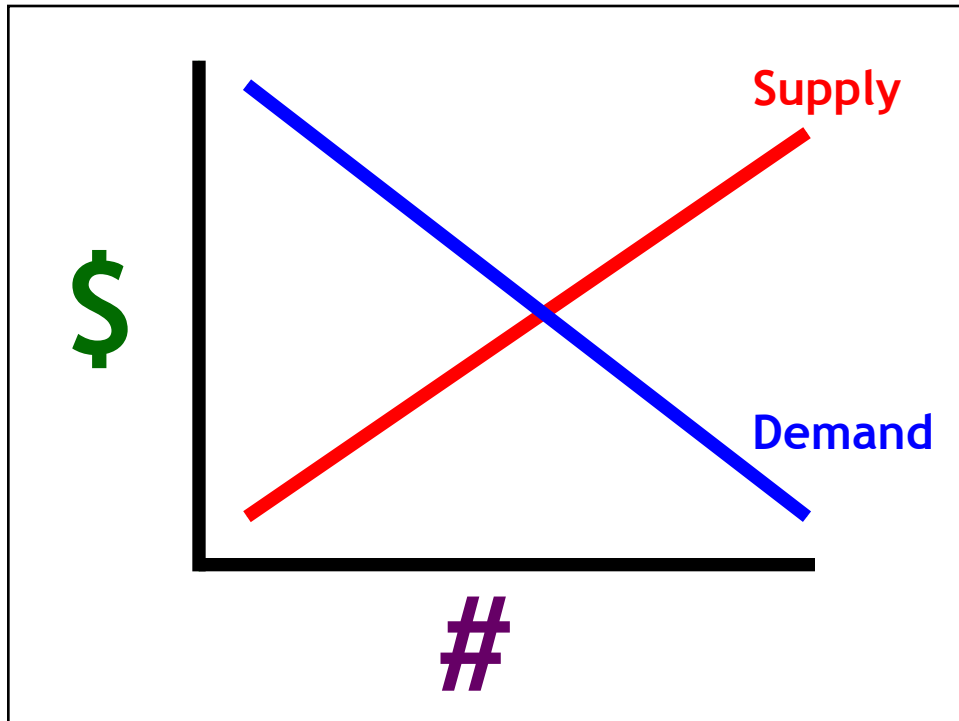
Thoughts on POE Ch. 3

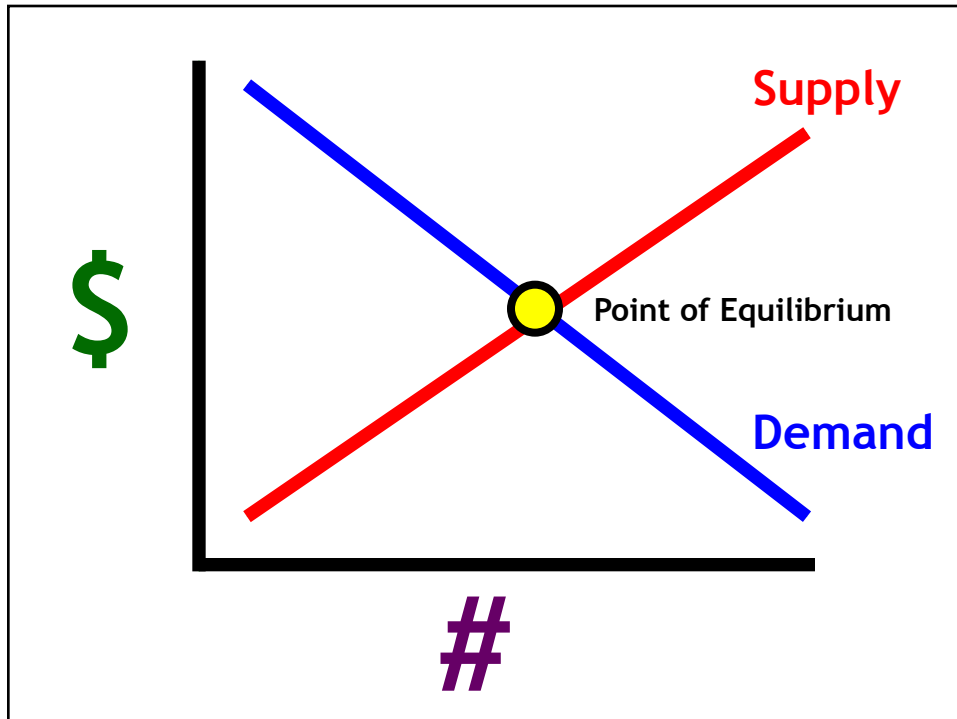
- This chapter is more than we need.
- And it's sometimes confusing.
- And it has a way of making simple stuff complicated.
- So let's break it down ...

**Economics is
about logic and
incentives in
decision-making.**

**It's not about memorizing
stuff. But here's one thing
it's helpful to memorize ...
the basic supply and demand
diagram.**





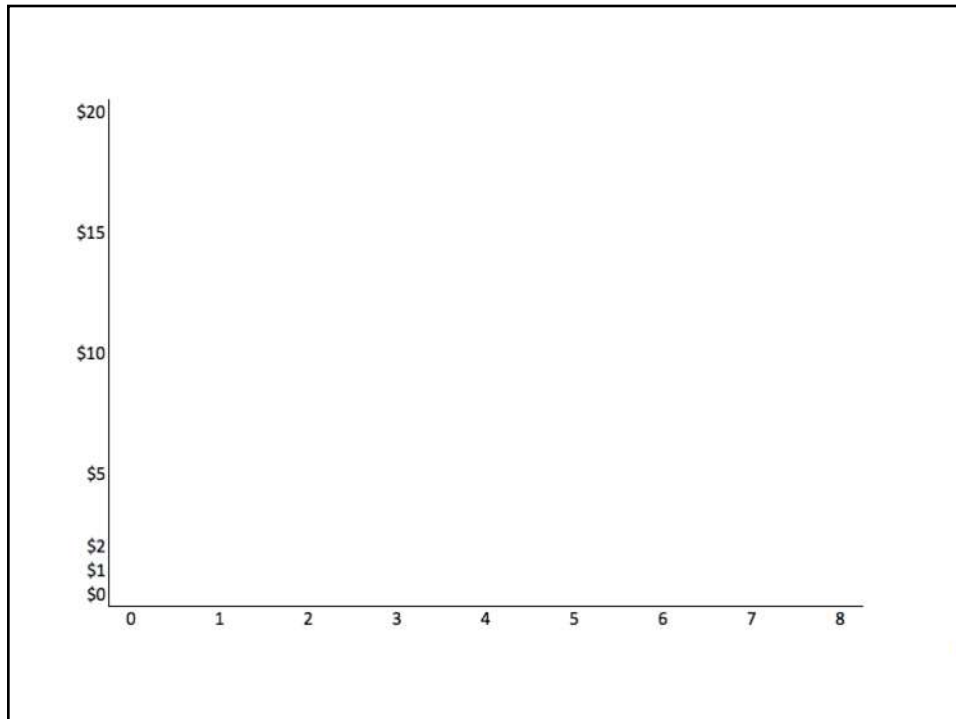


Example: Windchimes in Wendover on Wednesday

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

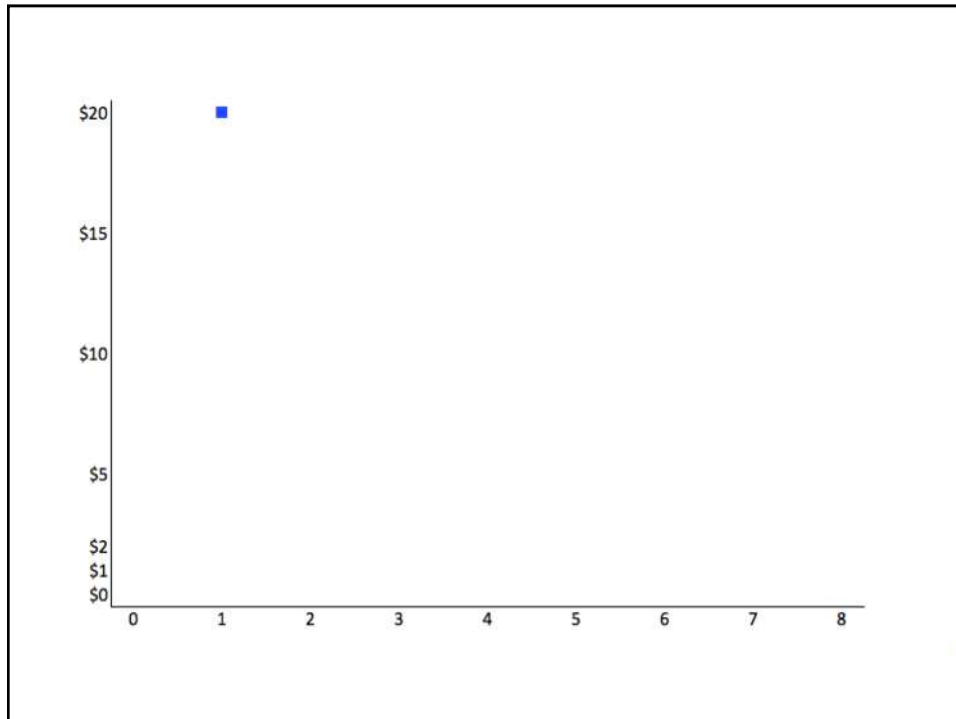


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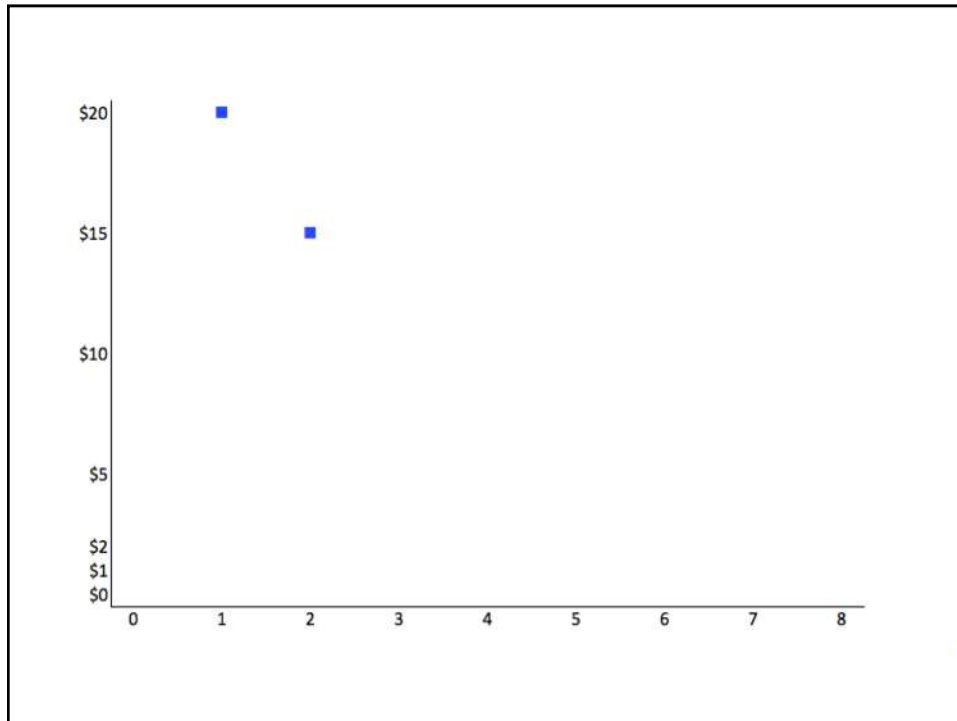


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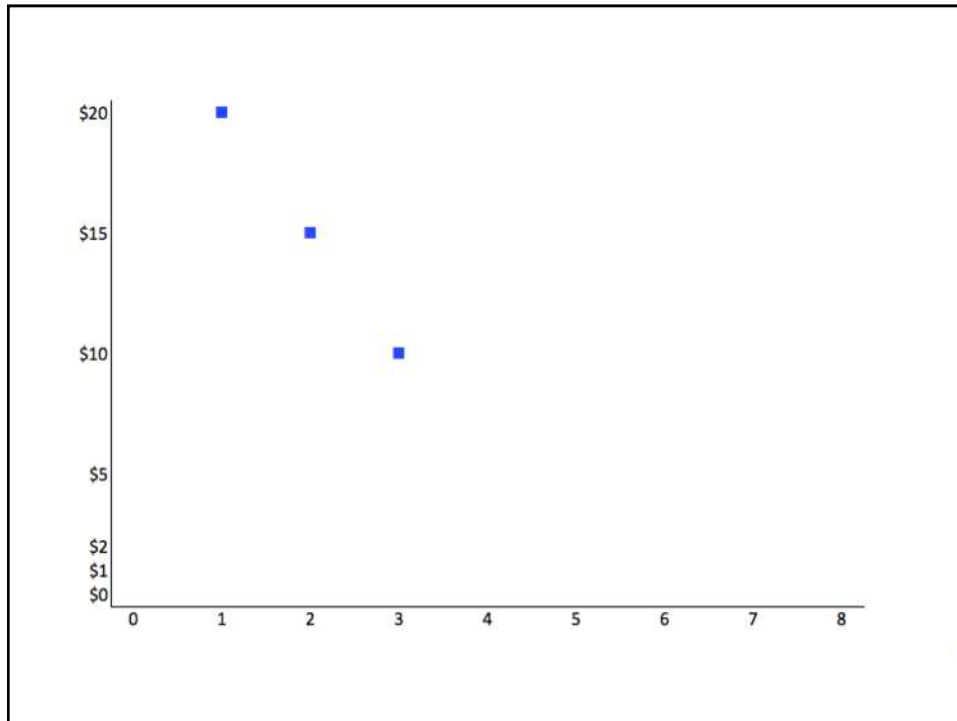


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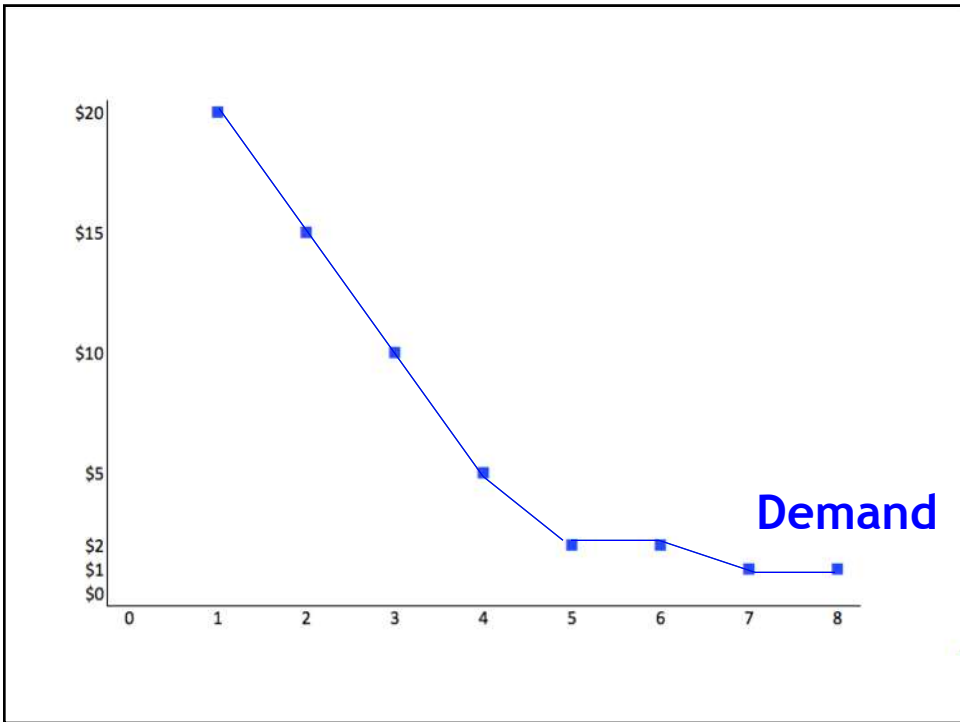
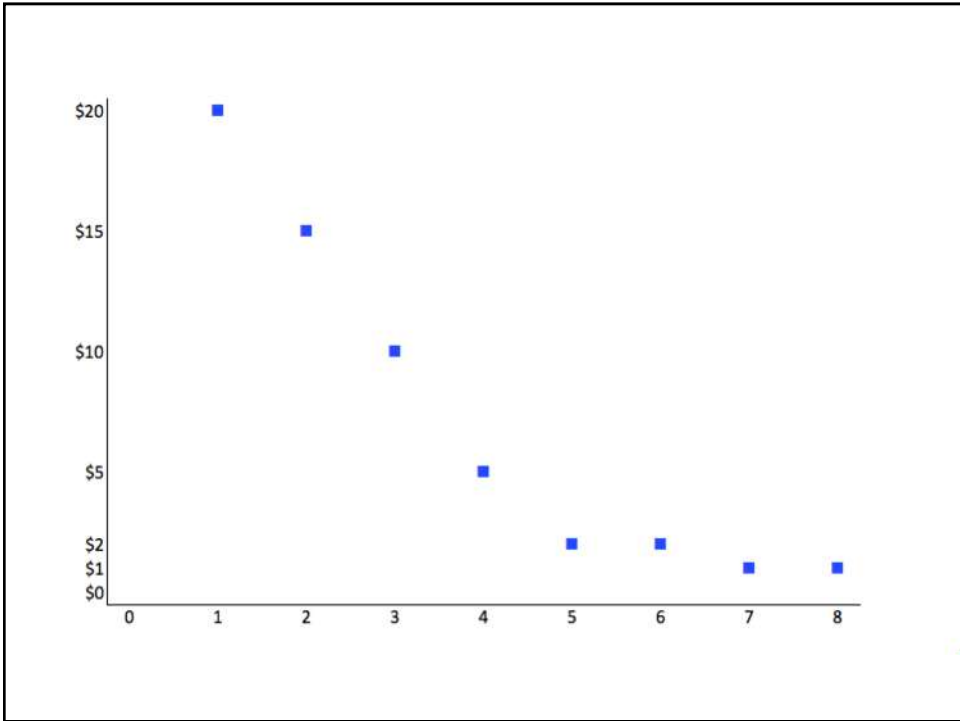


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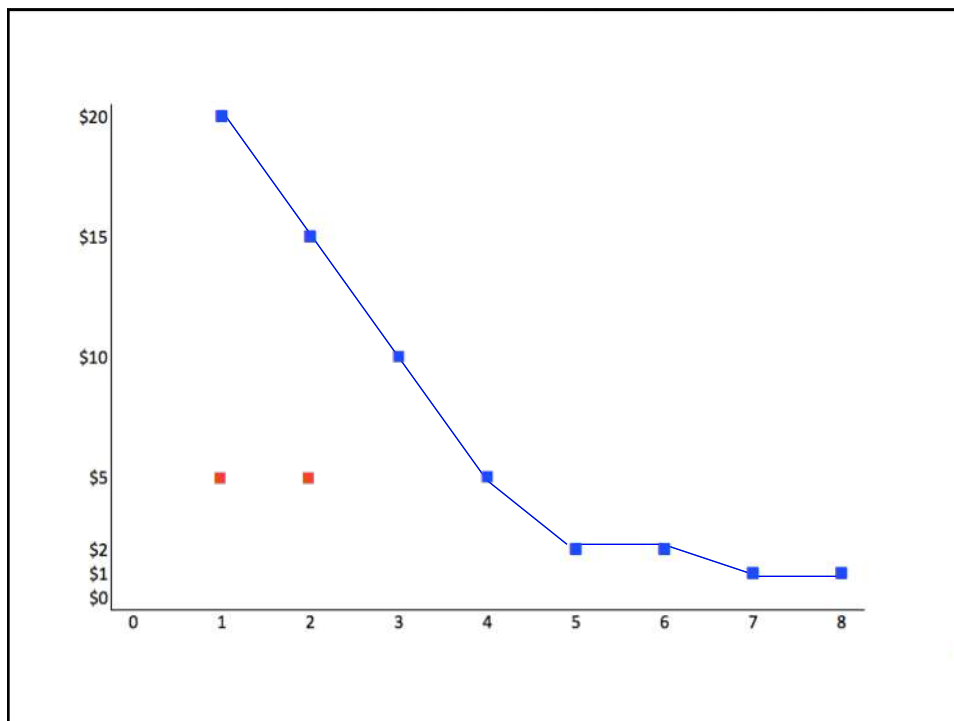


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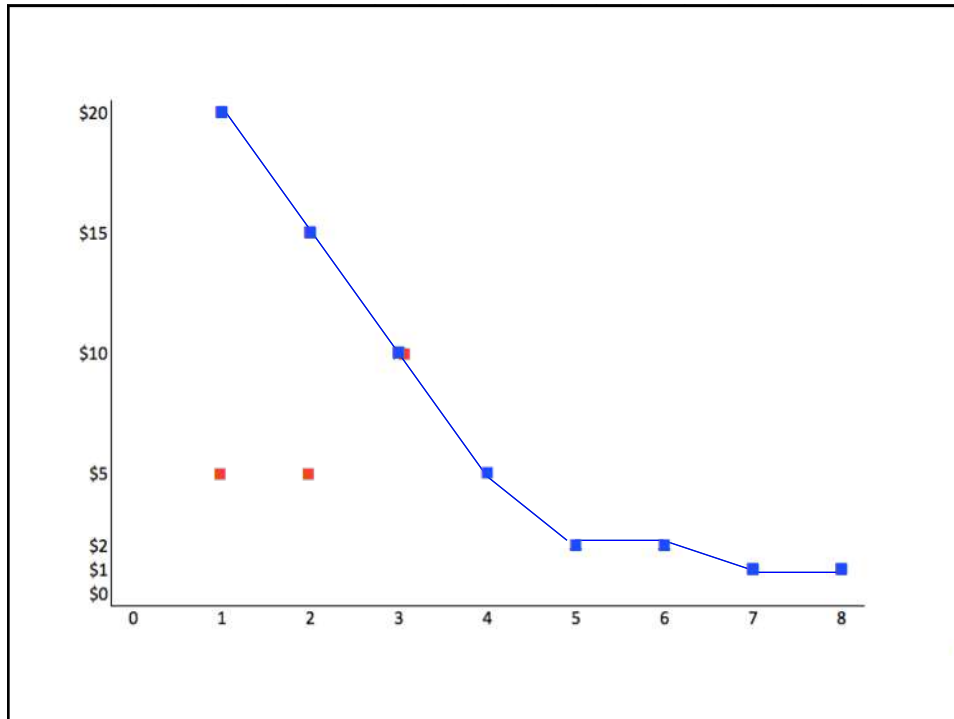


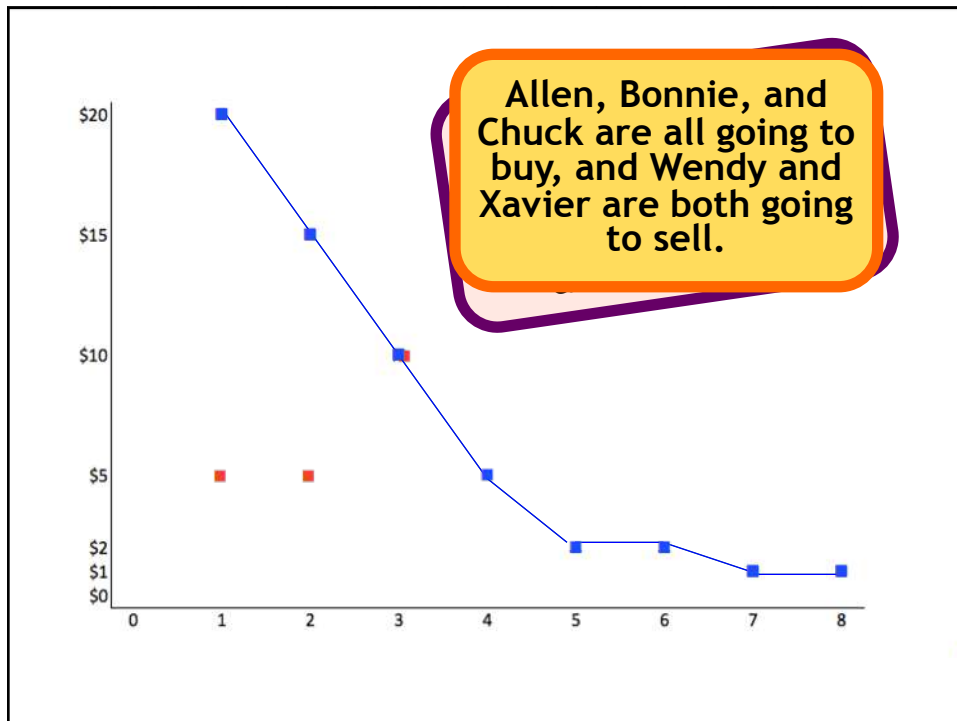
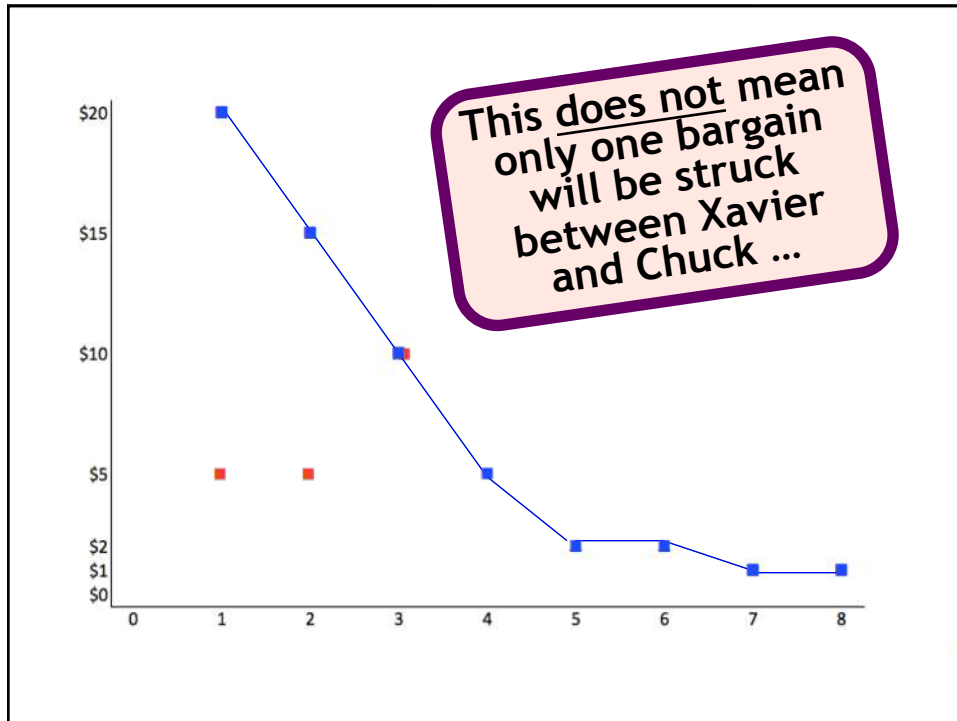
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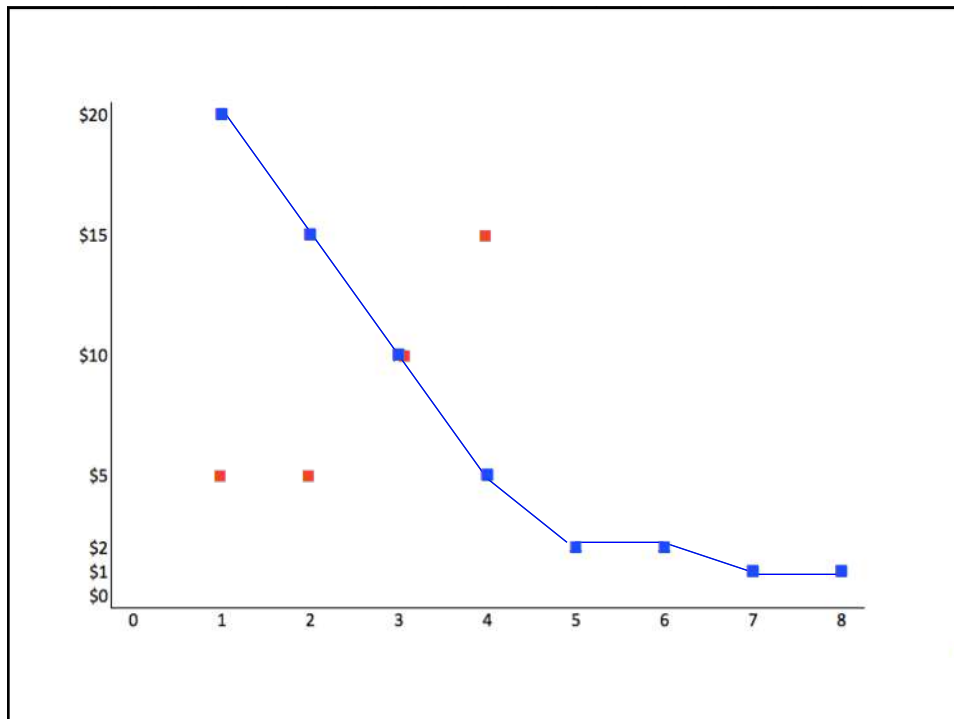


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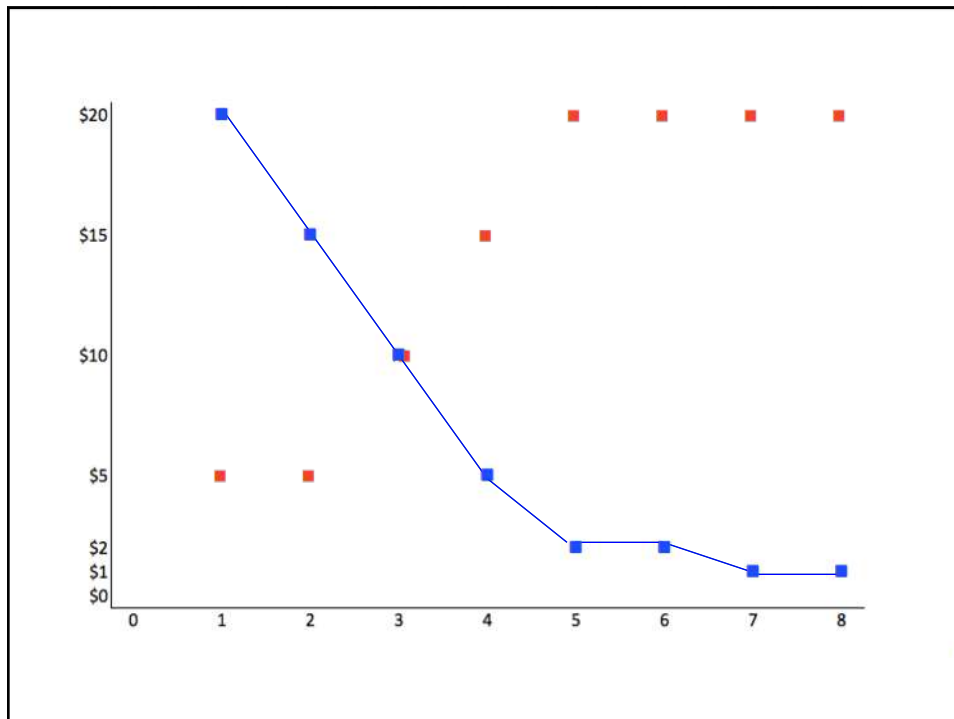


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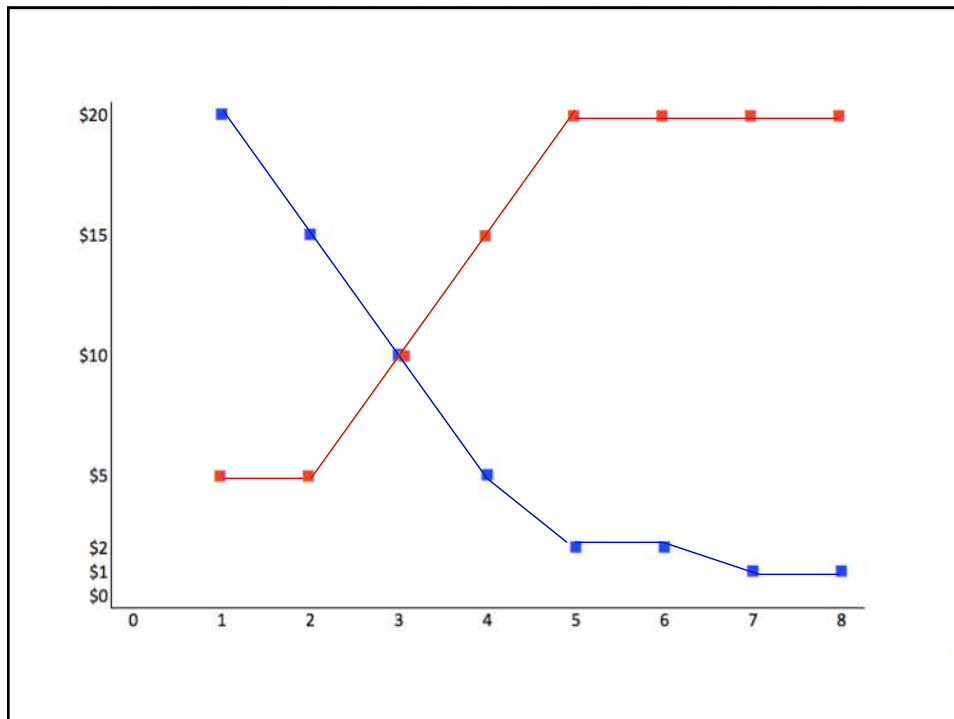


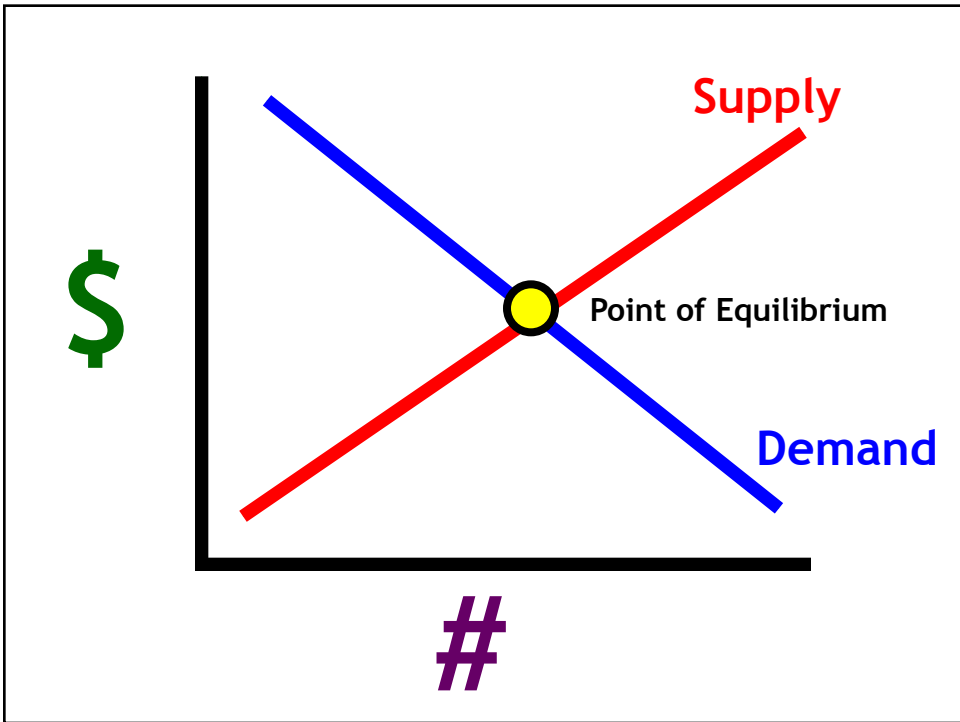
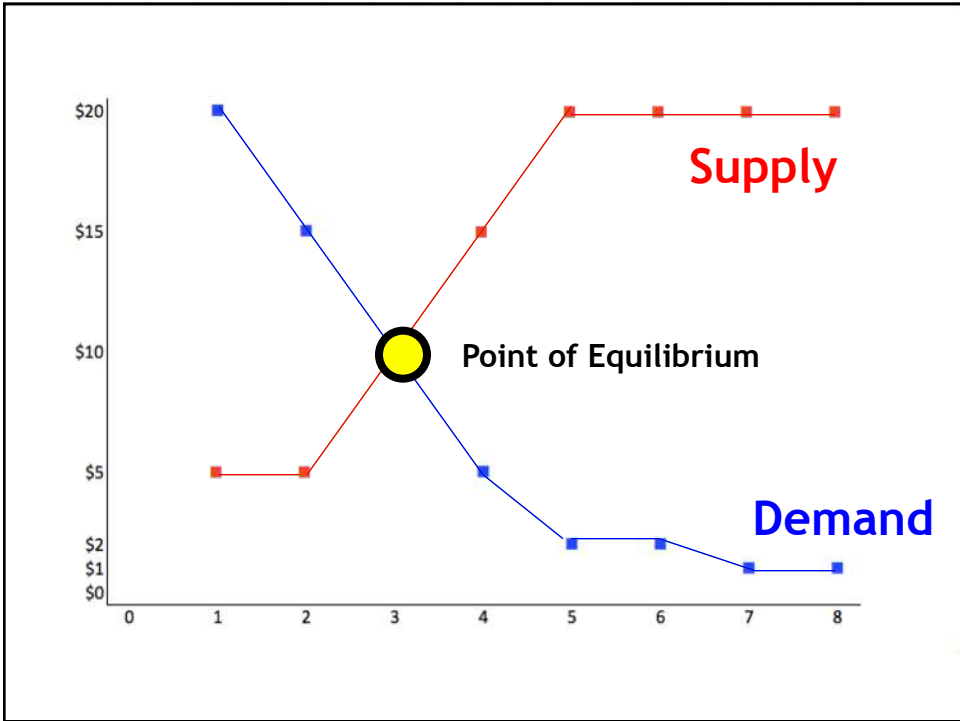
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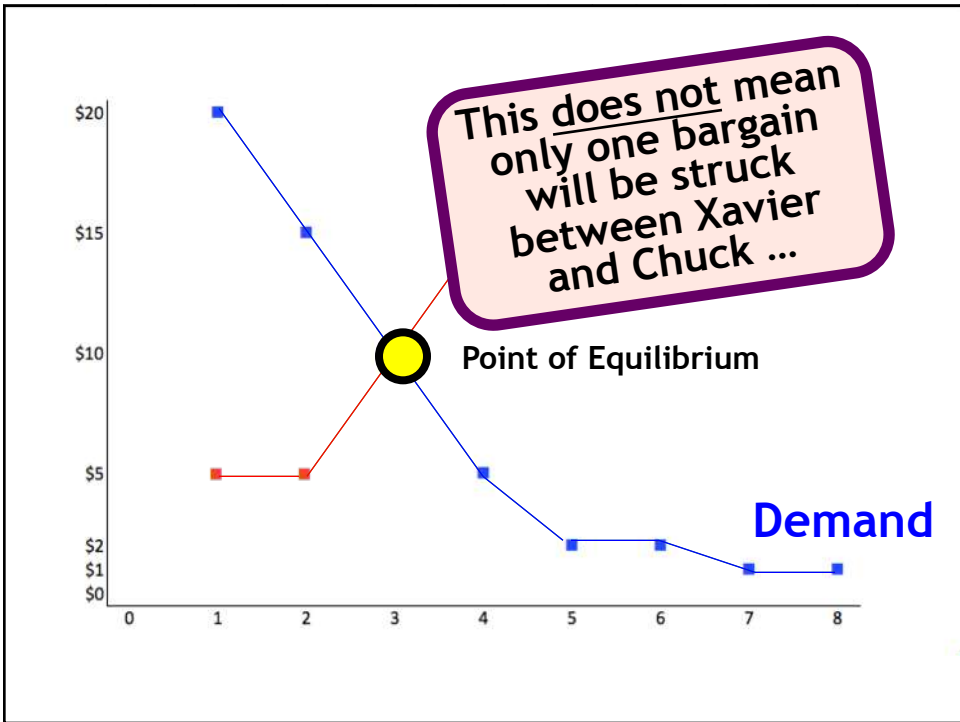
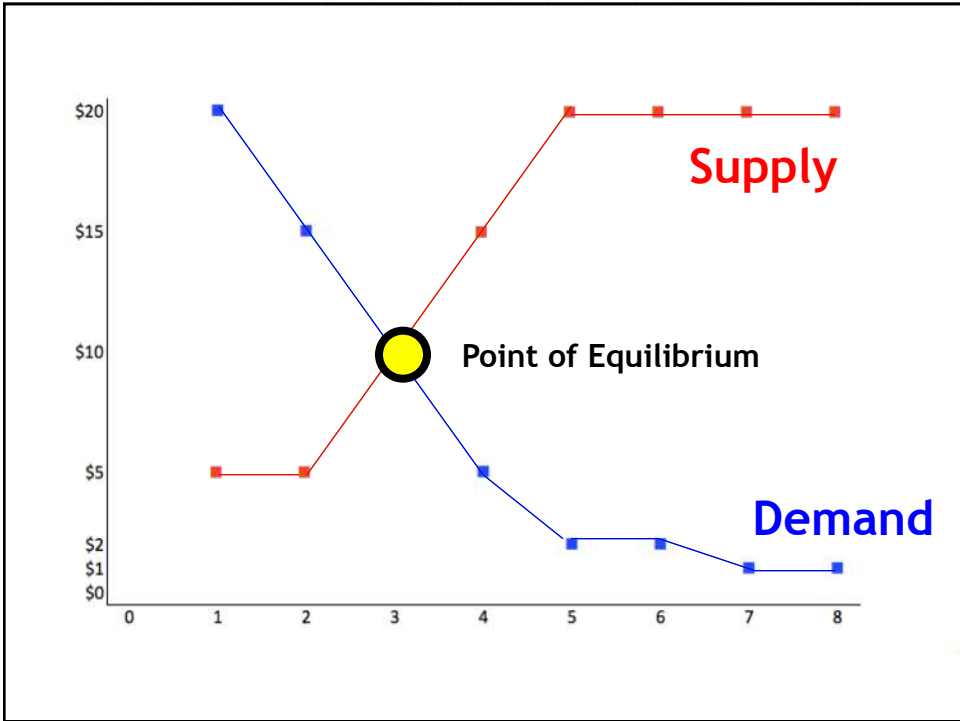
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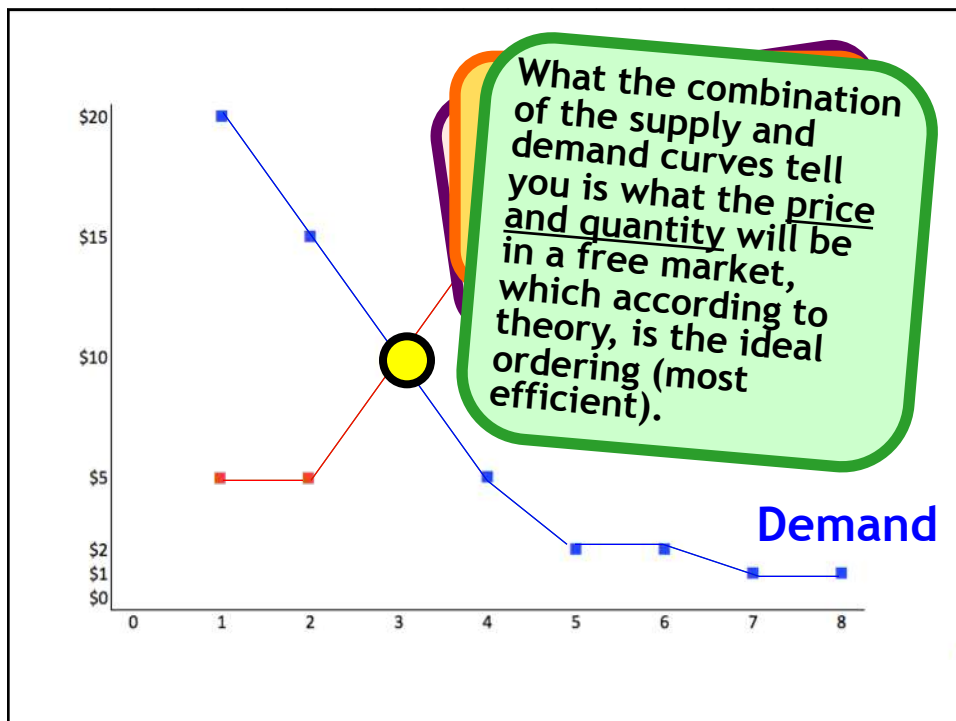
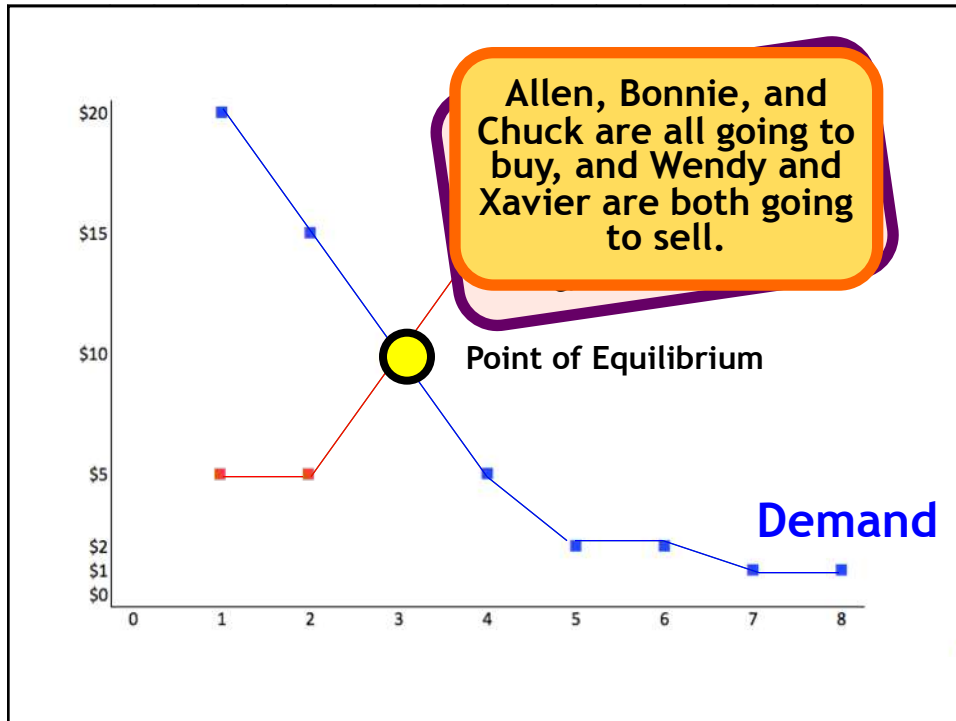
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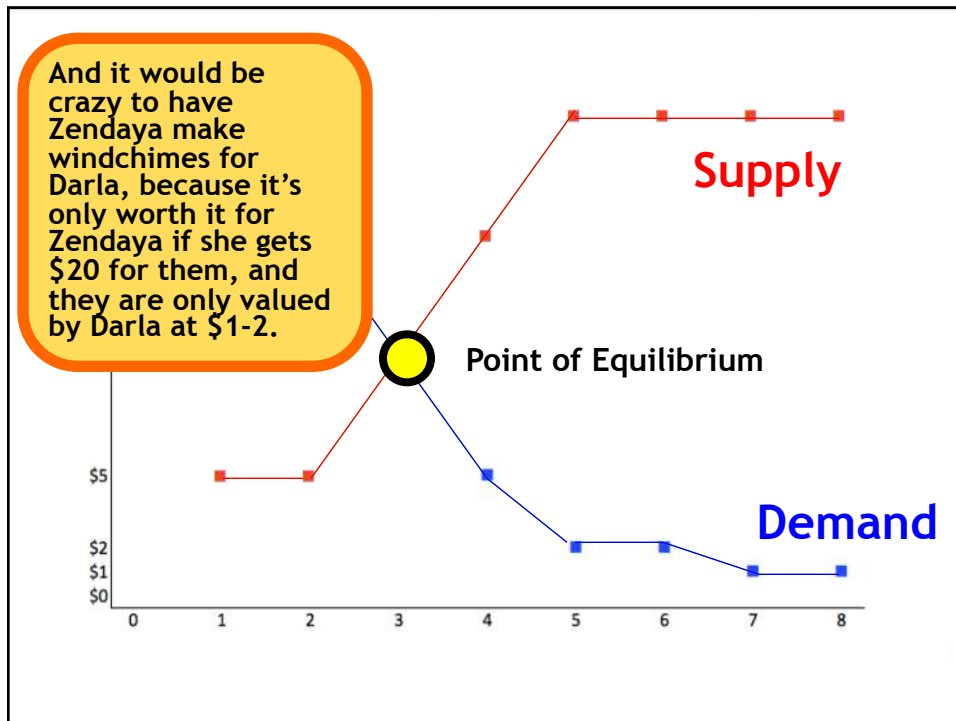
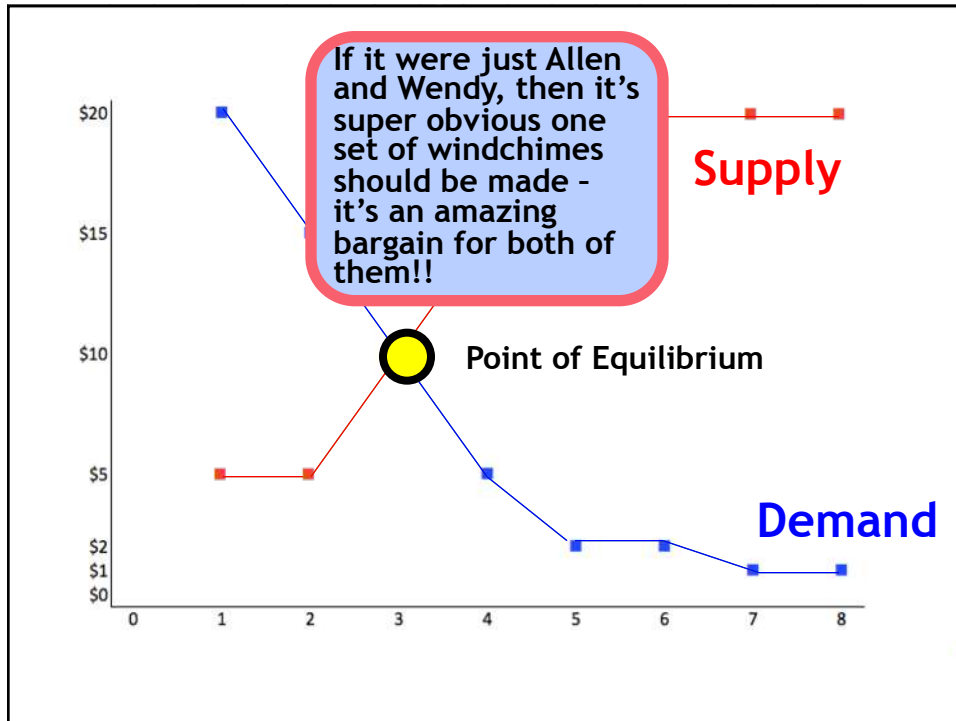
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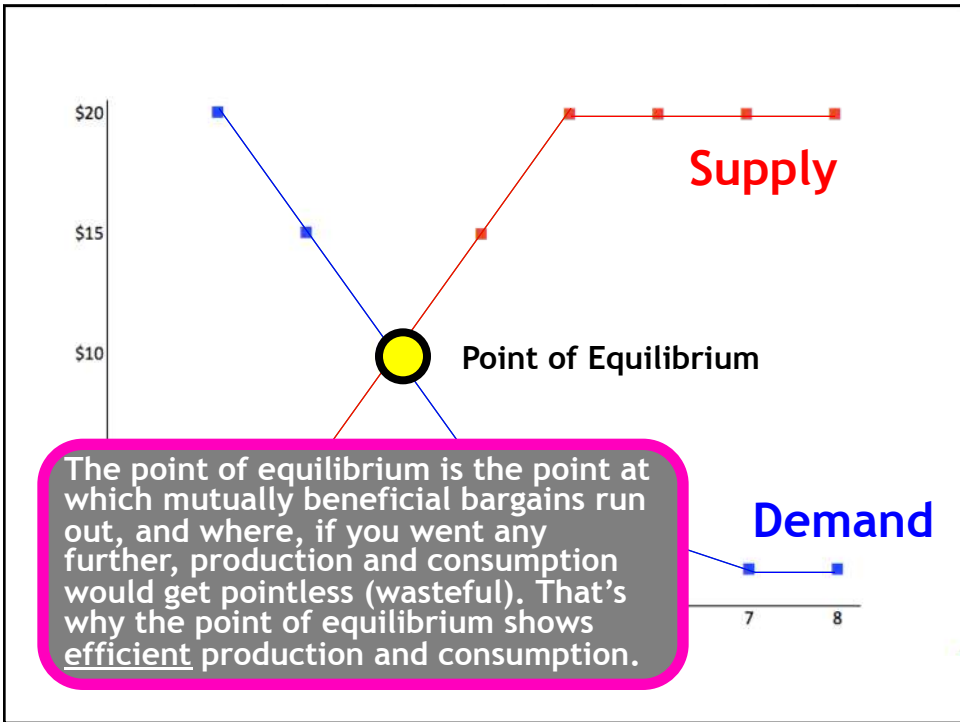
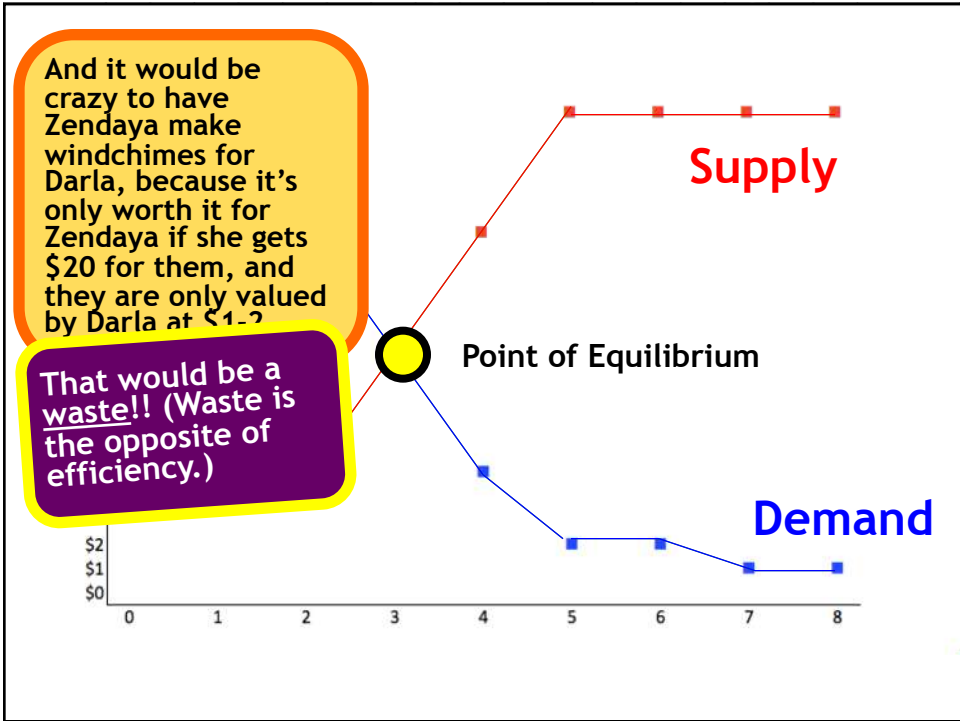




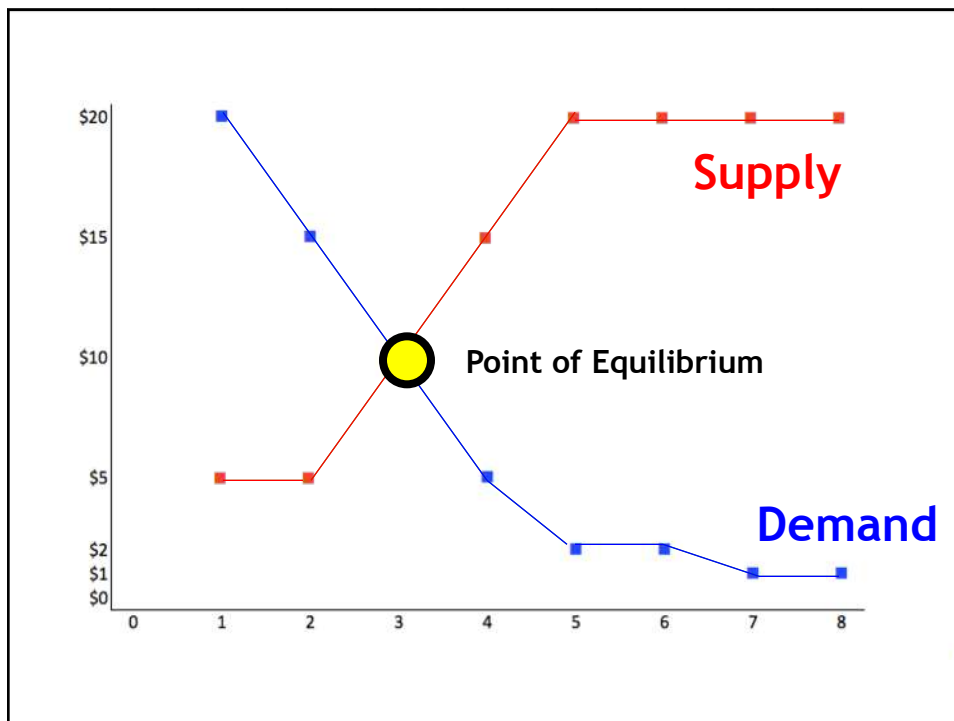








Let's talk about shifts in the supply and demand curves.

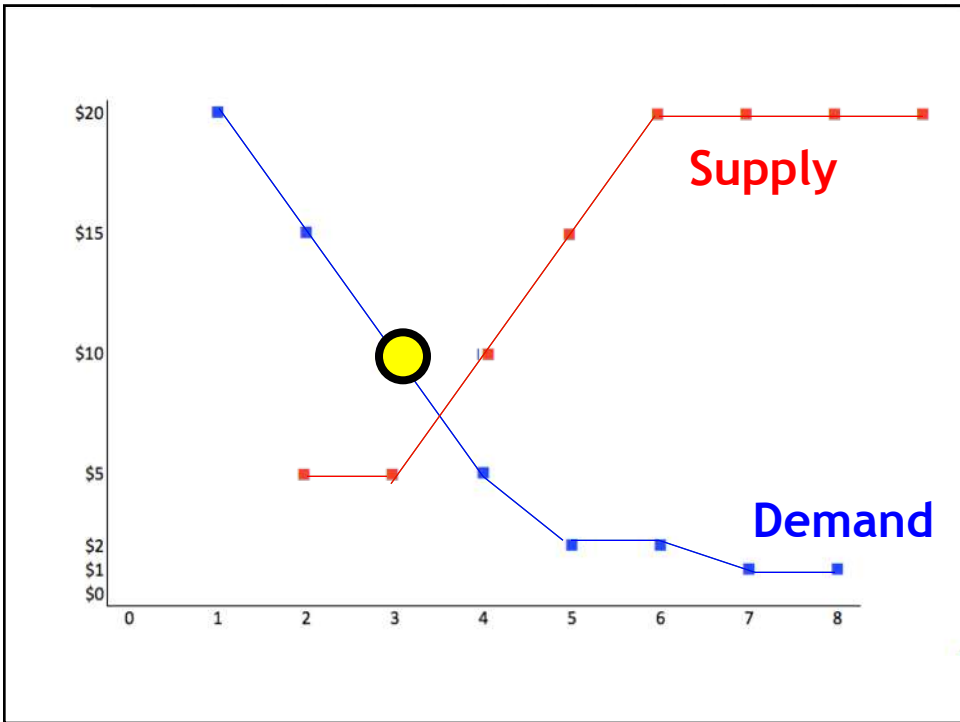
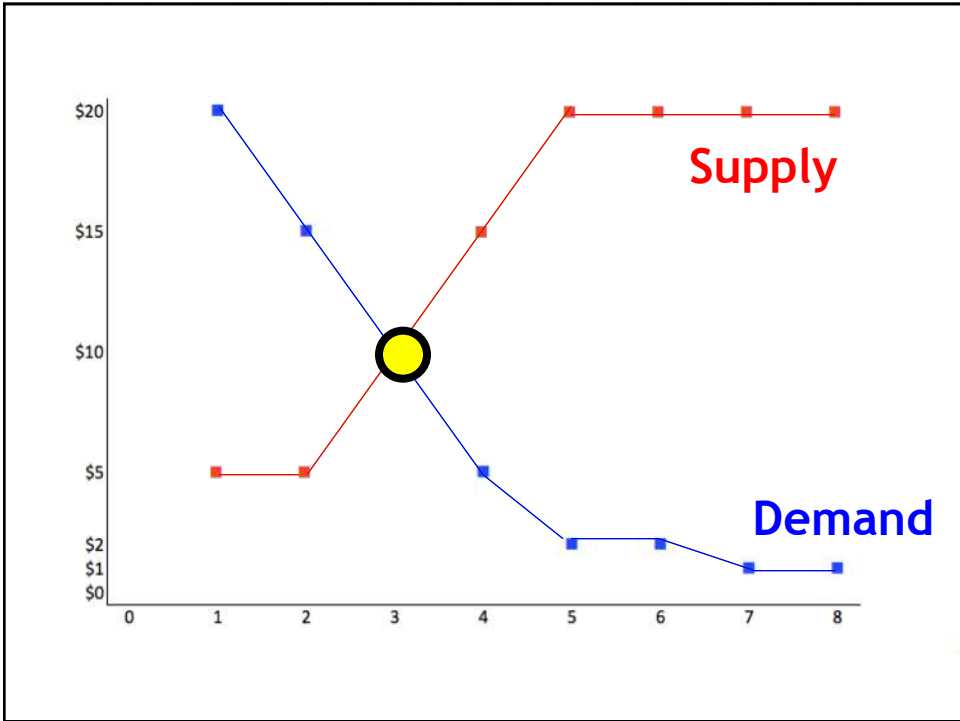


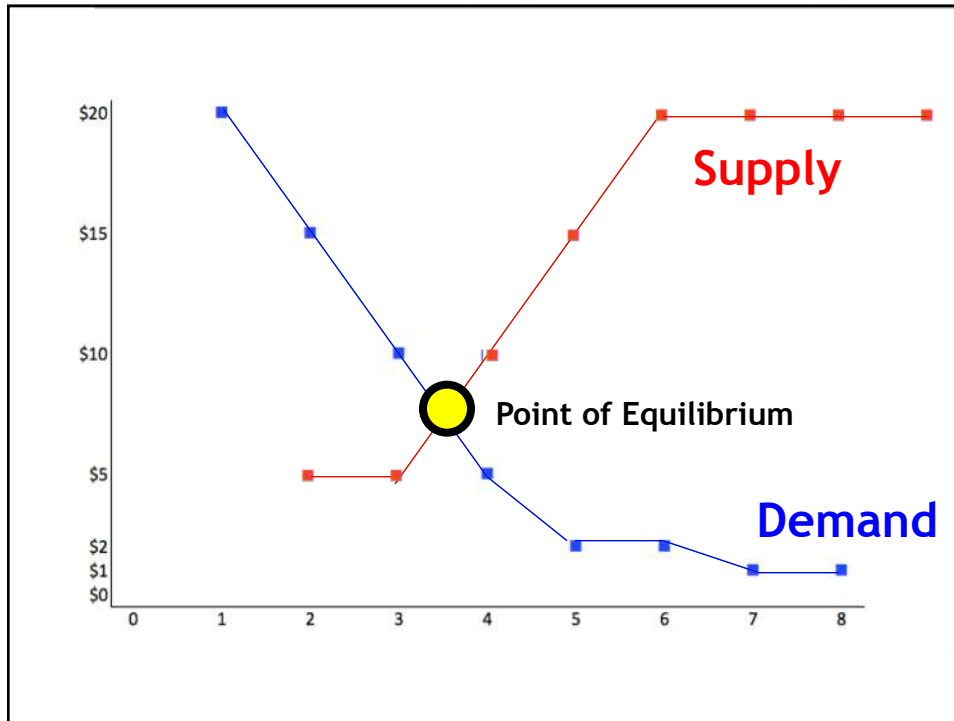


What if ...

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?





This is from Fig. 3.16 in POE2e. From 2014 to 2015, it got a lot easier to catch salmon, we're told.

Price	Quantity supplied 2014	Quantity supplied 2015	Quantity demanded anytime
\$2.00	80	400	840
\$2.25	120	480	680
\$2.50	160	550	550
\$2.75	200	600	450
\$3.00	230	640	350
\$3.25	250	670	250
\$3.50	270	700	200

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What does the highlighted box mean?

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What does the highlighted box mean?

It means that if the price is \$2.00, then there's enough willingness among consumers who want to pay that such that 840 units could be sold (transacted in the market).

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What does the highlighted box mean?

It means that if the price is \$3.50, then there's enough willingness among suppliers that 270 units could be supplied to the market.

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How much salmon was produced and consumed in 2014?
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We can figure out two things:

What happened to the price of salmon from 2014 to 2015?

What happened to the amount of salmon produced and consumed?

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