

# FOCUS ACTIVITIES

## Transparency 14



### **C**HANGES IN SUPPLY AND EQUILIBRIUM

*“Rather amazingly, equilibrium is reached through thousands of individual decisions. It is the price and quantity levels to which the forces of the market naturally gravitate. No one tells anyone else what to do....*

*The bottom line is that we have to ask what difference all of this makes since [the supply-demand model] obviously is a vast oversimplification of our economic behavior. The answer is that the tendencies [that] the graphs and schedules portray really are typical behaviors.”*

—Elaine Schwartz, economist



1. According to this quote, what is equilibrium?
2. If the economic model of supply and demand is “a vast oversimplification,” why do economists use it?