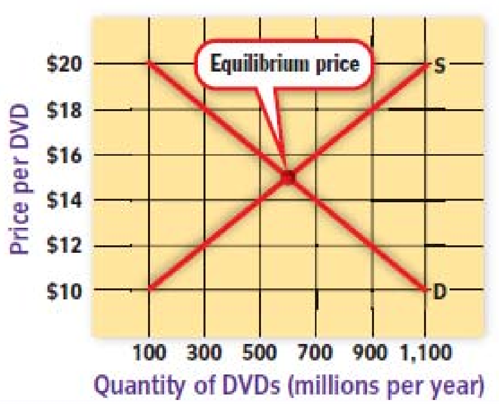
Figure 7.10 Equilibrium Price

How does the market reach an equilibrium price? Study the charts. If sellers think the price for DVDs will be $20, they will produce 1,100 million units, but buyers will purchase only 100 million. To get rid of the surplus, suppose sellers lower the price to $10 and are willing to supply 100 million DVDs. At this price, 100 million are supplied but 1,100 million are demanded, leaving a shortage. The price tends to change until it reaches equilibrium.

A Market Demand and Supply Schedules

Quantity Demanded (millions)	Price	Quantity Supplied (millions)	Surplus/ Shortage (millions)
100	$20	1,100	1,000
200	$19	1,000	800
300	$18	900	600
400	$17	800	400
500	$16	700	200
600	$15	600	0
700	$14	500	−200
800	$13	400	−400
900	$12	300	−600
1,000	$11	200	−800
1,100	$10	100	−1,000

B Graphing the Equilibrium Price



Economic Analysis

Using Graphs *According to the schedule and the graph, what is the equilibrium price and quantity demanded in this example?*