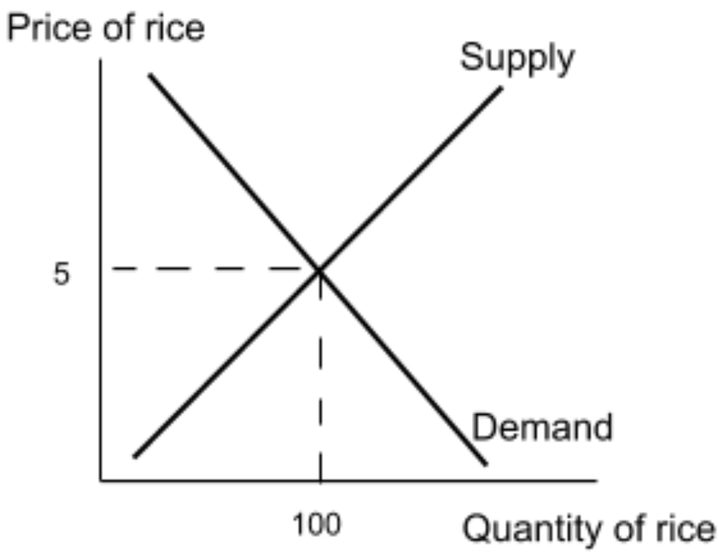
CHAPTER 9 : Price determination

1. Equilibrium price : the price where demand and supply are equal.
2. Excess supply : the amount by which supply is greater than demand.
3. Disequilibrium : a situation where demand and supply are not equal.
4. Excess demand : the amount by which demand is greater than supply.

1. Market Equilibrium

Equilibrium price : the price where demand and supply are equal.



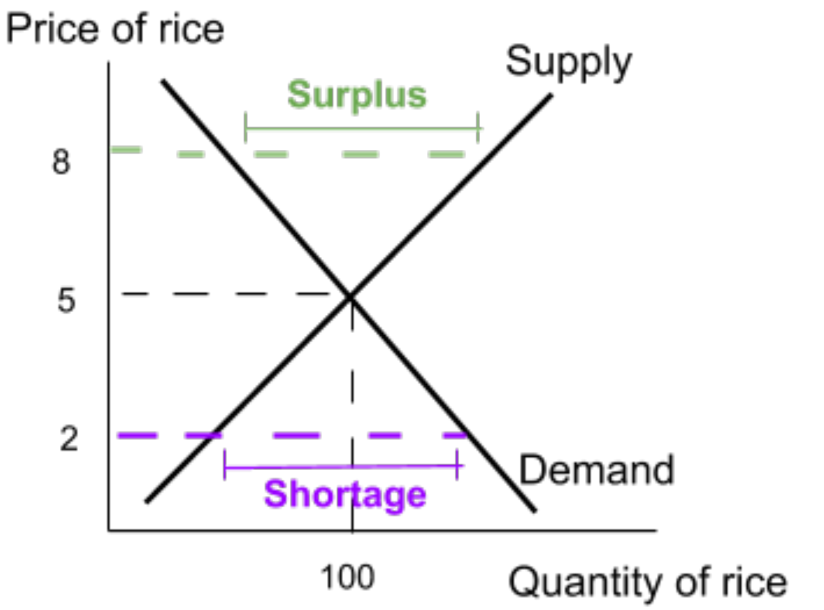
- At market equilibrium : Demand = Supply at price ฿5 per unit

Disequilibrium : where demand ≠ supply

↳ Shortage or excess demand

↳ Surplus or excess supply

2. Moving from market disequilibrium to market Equilibrium



- **Disequilibrium** : where demand ≠ Supply

2.1) At price = 8, there is excess supply : supply > demand

- Price↓ causing contraction in supply and extension in demand
- Price falls until it reaches the equilibrium.

2.2) At price = 2, there is excess demand : demand > supply

- Price↑ causing contraction in demand and extension in supply
- Price rises until it reaches the equilibrium.