Supply & Demand Graphs

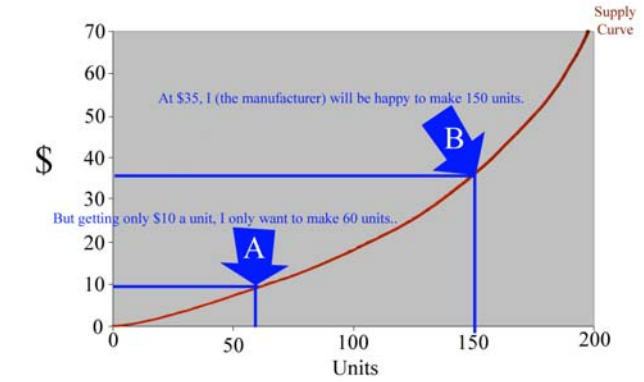
Example 1 – Demand Curve

(1) At point A, the consumer would only want and / or be able to afford 10 units at $60 each. 10x$60 = $600

(2)At point B, the consumer would only want and / or be able to afford 150 units at $10 each. 150x$10 = $150 (Wow, great deal!)

(3)The demand curve is from the perspective of **the buyer !!!!**

Wouldn't you buy more $10 steaks than $60 steaks? You might even put some in the freezer for another day.



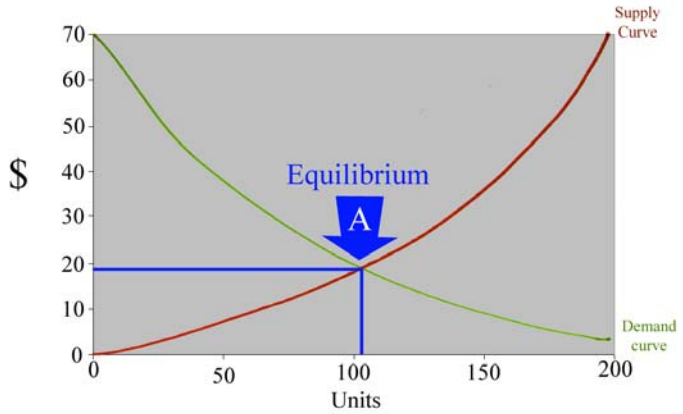
Example 2 – Supply Curve

(1) At point A, the manufacturer doesn't find it profitable to sell his product at $10 each and so he only will make 60 units at that ridiculously low price!
60x$10 = $600

(2) Now at point B, the manufacturer would love to sell his product for $35. It would cost him less to make more since his labor and electricity would basically be the same to make 60 units vs. 150 units! 150x$35 = $5,250

(3)The demand curve is from the perspective of **the manufacturer !!!!**

If you made pots wouldn't you want to sell more pots at $35 each than just $10?



Example 3 – Equilibrium & Both curves

When you lay the two graphs on top of each other, you will find "Equilibrium"!

That is the point where **both** consumers and manufacturers have a price and quantity that satisfies both equally.

In this case, approximately 105 units at $19.