BRYN MAWR
COLLEGE

Supply and Demand

ECON B105

September 9th, 2026

Supply and Demand

- So we've established trade is generally win-win
- But how do we trade?
  - Barter?
  - Need double-coincidence of wants
- Instead, we participate in **markets**
- **Supply and Demand** refer to the behavior of people as they engage in transactions of goods/services
- Buyers and sellers, aggregated together, form a **market**

Markets

- Goods

Reading Terminal Market, Philadelphia

Noryangjin Fish Market, Seoul

Markets

- Services

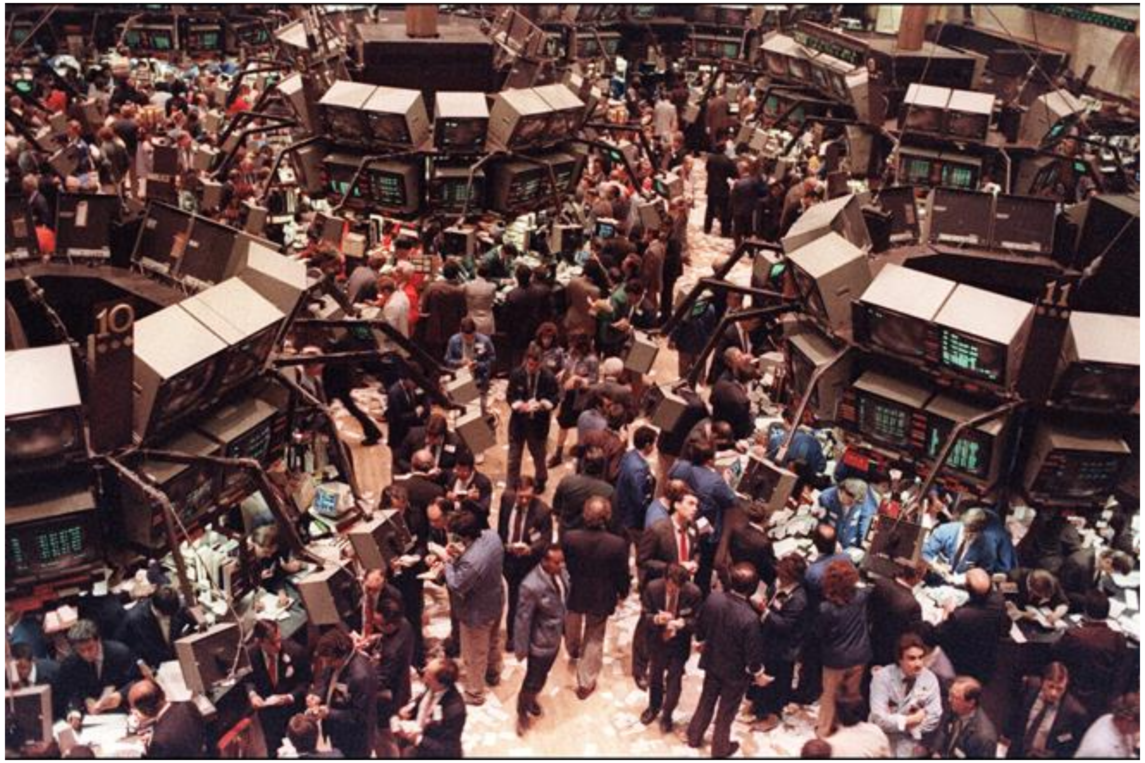
Career+Civic: Tri-College Career Fair

SEP
18
2026

12:00PM - 3:00PM | Off Campus Event, Haverford College, Founders Hall

Markets

- Stock market
  - NVDA



New York Stock Exchange

Economic Thinking Question

- Kidneys? 😬
  - Why people **shouldn't** be able to buy or sell kidneys is intuitive
    - Rich people buying organs from poor people? Dystopian
  - Why people **should** be able to buy or sell kidneys

The Philadelphia Inquirer

SIGN IN

HEALTH

It's illegal to pay people for organs, but some advocates want a $50,000 tax credit for kidneys

Those in favor of the payment believe it would encourage more living donors to give a kidney to a stranger. Bioethicists say the idea is "horrific" and "immoral."

A coalition of kidney donors and recipients want Congress to pass a 10-year pilot program that would provide a $50,000 tax credit to those who donate a kidney to a stranger.
The Inquirer/ Getty Images

by Wendy Ruderman
Published May 16, 2024, 5:00 a.m. ET

- One workaround?
  - Kidney trading
  - Nobel prize-worthy solution!

Questions of the Day

- What makes a market?
  - Supply
  - Demand

- What drives both supply and demand?

- What determines the prices of goods/services?

Supply and Demand

- **Market**
  - A group of buyers and sellers of a particular good or service
- Buyers as a group
  - Determine the **demand** for the product
- Sellers as a group
  - Determine the **supply** of the product

Perfectly Competitive Market

- **Competitive market**
  - Market in which there are many buyers and many sellers
  - Each has a negligible impact on market price
- Price and quantity sold are determined by all buyers and sellers as they interact in the marketplace

Perfectly Competitive Market

- Goods offered for sale are all *exactly the same*
  - Unrealistic (except in a few cases)
  - But useful benchmark
- Buyers and sellers are numerous
  - No single buyer or seller has any influence over the market price
  - Must accept the price the market determines (price takers)
- At the market price
  - Buyers can buy all they want
  - Sellers can sell all they want

Demand

- **Quantity demanded**
  - Amount of a good that buyers are willing and able to purchase
    - Which differs at each price

Demand

- Individual demand
  - An individual’s demand for a product
- **Demand schedule**
  - A table that shows the relationship between the price of a good and the quantity demanded
- **Demand curve**
  - A graph of the relationship between the price of a good and the quantity demanded

Eagles Tix

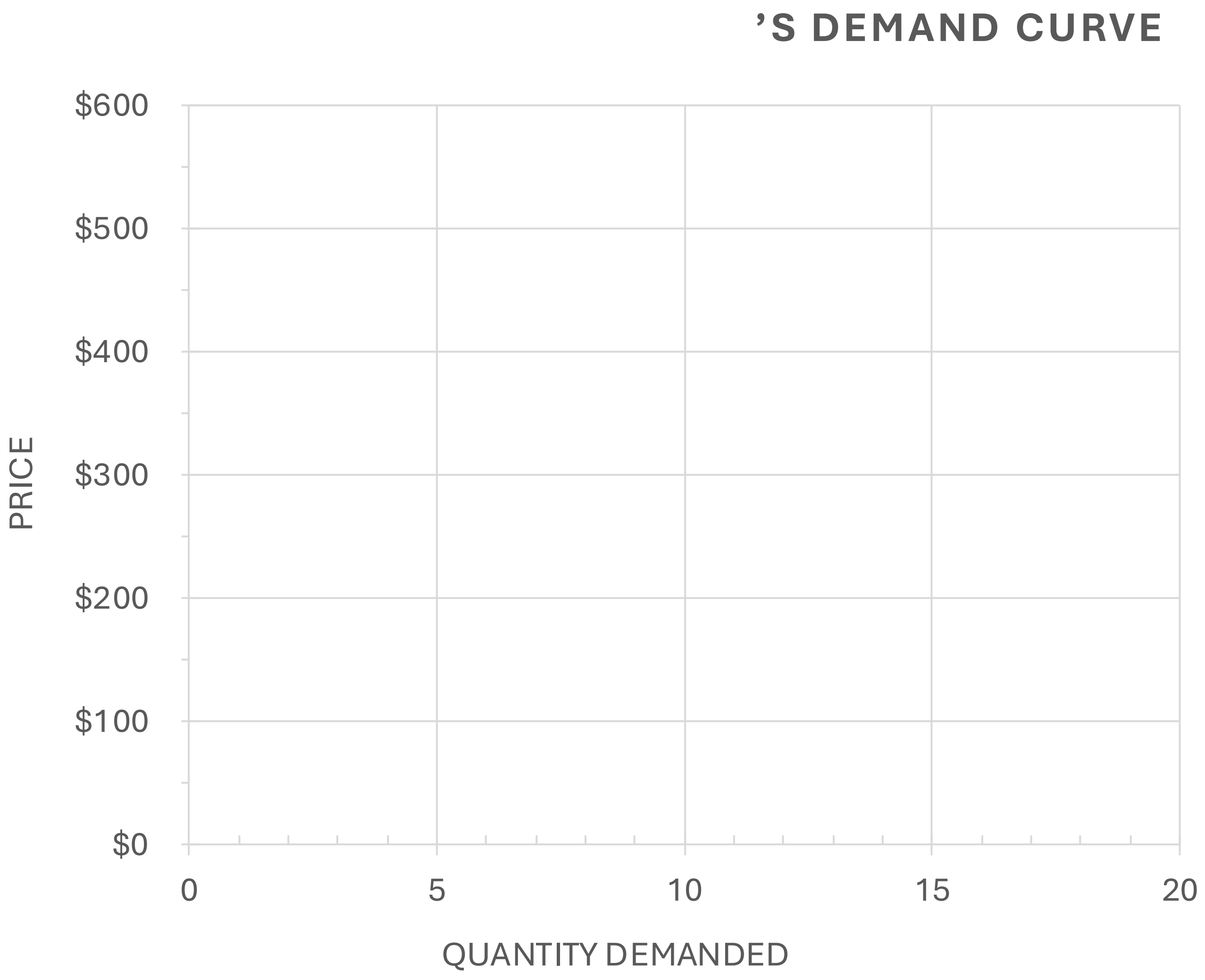
PHILADELPHIA
EAGLES
Lincoln Financial Field®
MERCEDES-BENZ CLUB
CHAMPIONSHIP
GAME
NFC
CHAMPIONSHIP
EXACT DATE & KICKOFF TIME
TO BE ANNOUNCED
Mercedes-Benz
Vip Gate
C1
8
6
1079816
967309371404

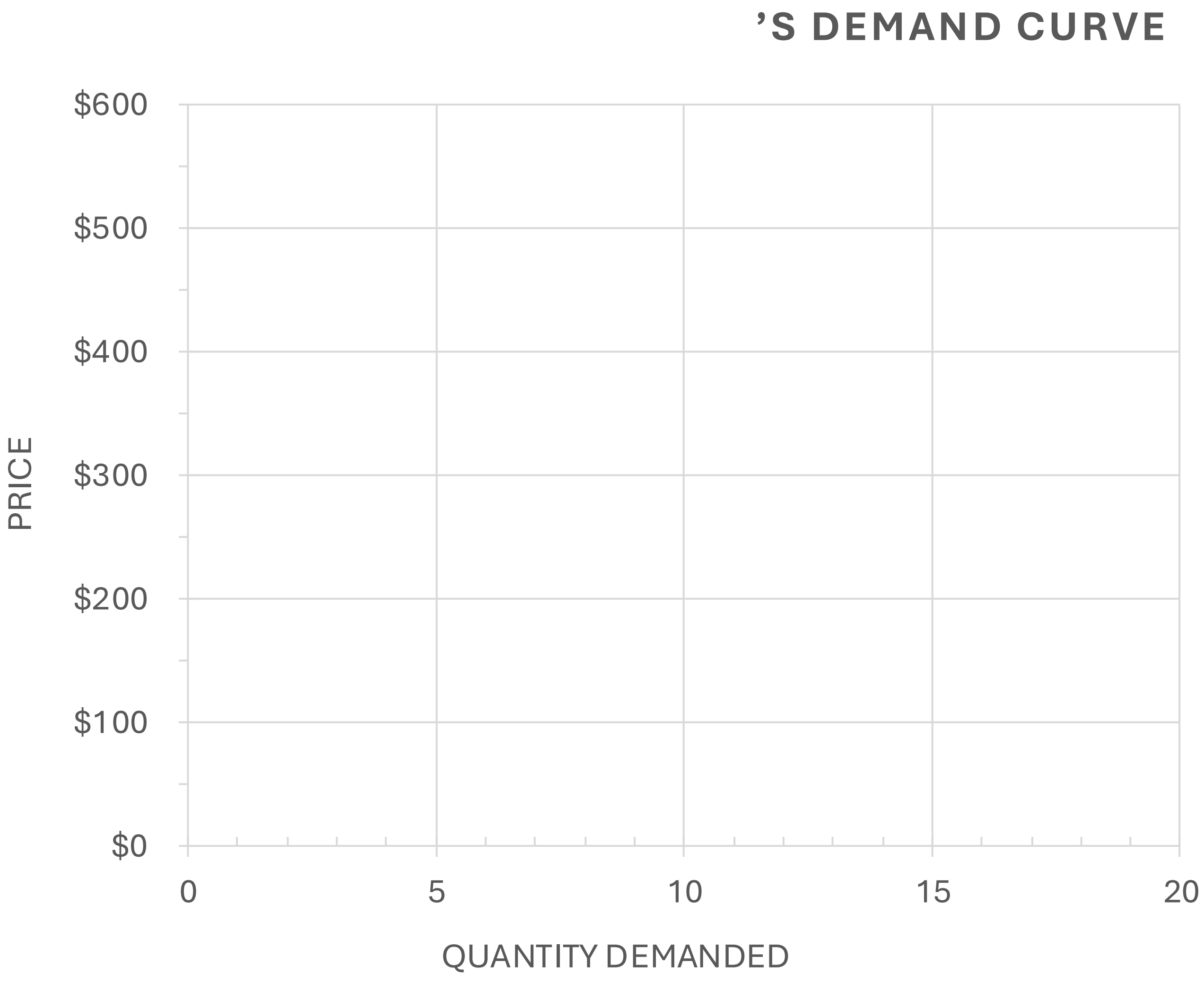
Individual Demand Schedule for Eagles Tix

’s Demand Schedule	
Price	Quantity Demanded
$100	10
$200	
$300	
$400	
$500	
$600	0

’s Demand Schedule	
Price	Quantity Demanded
$100	10
$200	
$300	
$400	
$500	
$600	0

Individual Demand Curve for Eagles Tix





Market Demand

- **Market demand**
  - The sum of all the individual demands for a particular good or service
- **Market demand curve**
  - Shows how the total quantity demanded of a good varies as its price changes, holding constant all the other factors that affect consumer purchases

Market Demand Schedule for Eagles Tix

					Market
Price	Quantity Demanded		Quantity Demanded		Quantity Demanded
$100	10		10		20
$200					
$300					
$400		+		=	
$500					
$600	0		0		0

Market Demand Curve for Eagles Tix

Law of Demand

- **Law of demand**
  - Other things being equal, in the market for a good/service
    - when the price rises, the quantity demanded falls
    - when the price falls, the quantity demanded rises
- Holds true at the individual level

  → Holds true at the market level!

Shifts in Demand

Market demand curve

- Holds other things constant
- What if "other things" change
- Things that determine buyers' demand for a good, ***other than the good's price***
  - *Change in good's price changes quantity demanded*
  - *Change in other things changes demand*

- Shifting the ***demand*** curve
  - Change that increases quantity buyers want to purchase at any price shifts demand curve to the right
  - Change that decreases quantity buyers want to purchase at any price shifts demand curve to the left

Variables That Influence Buyers

- Shifts in the demand curve are caused by changes in:
  - Income
  - Prices of related goods
  - Tastes
  - Expectations
  - Number of buyers

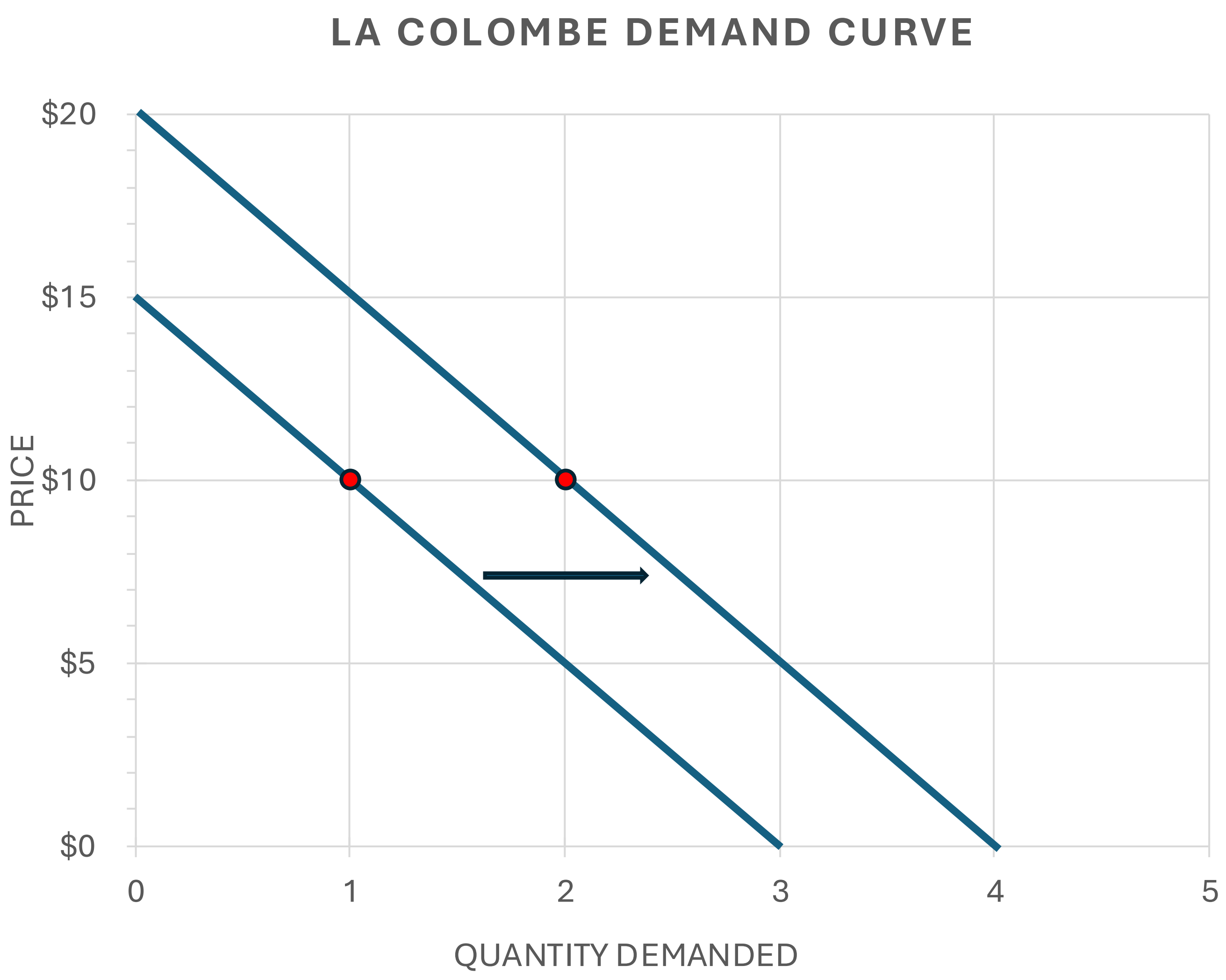
Income

- **Normal good**
  - A good for which an increase in income leads to an increase in demand
- **Inferior good**
  - A good for which an increase in income leads to a decrease in demand

Normal Good

As people's incomes increases:

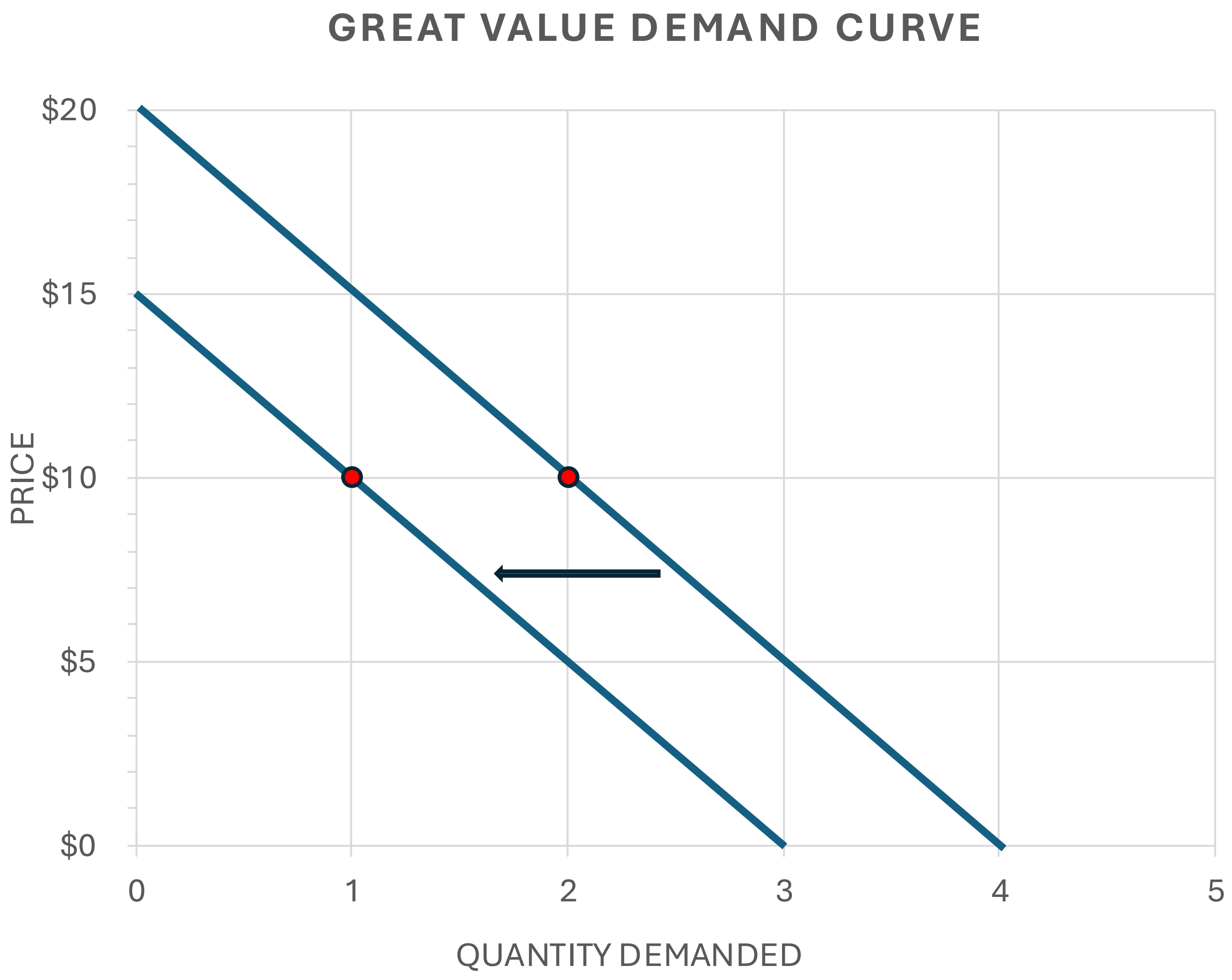
- At the same price
  - Quantity demanded is higher!
  - Can afford to consume more



Inferior Good

As people's incomes increases:

- At the same price
  - Quantity demanded is lower!
  - Can afford to consume less



Prices of Related Goods

- **Substitutes**
  - Pairs of goods that are used in place of each other
  - Increase in the price of one leads to an increase in the demand for the other

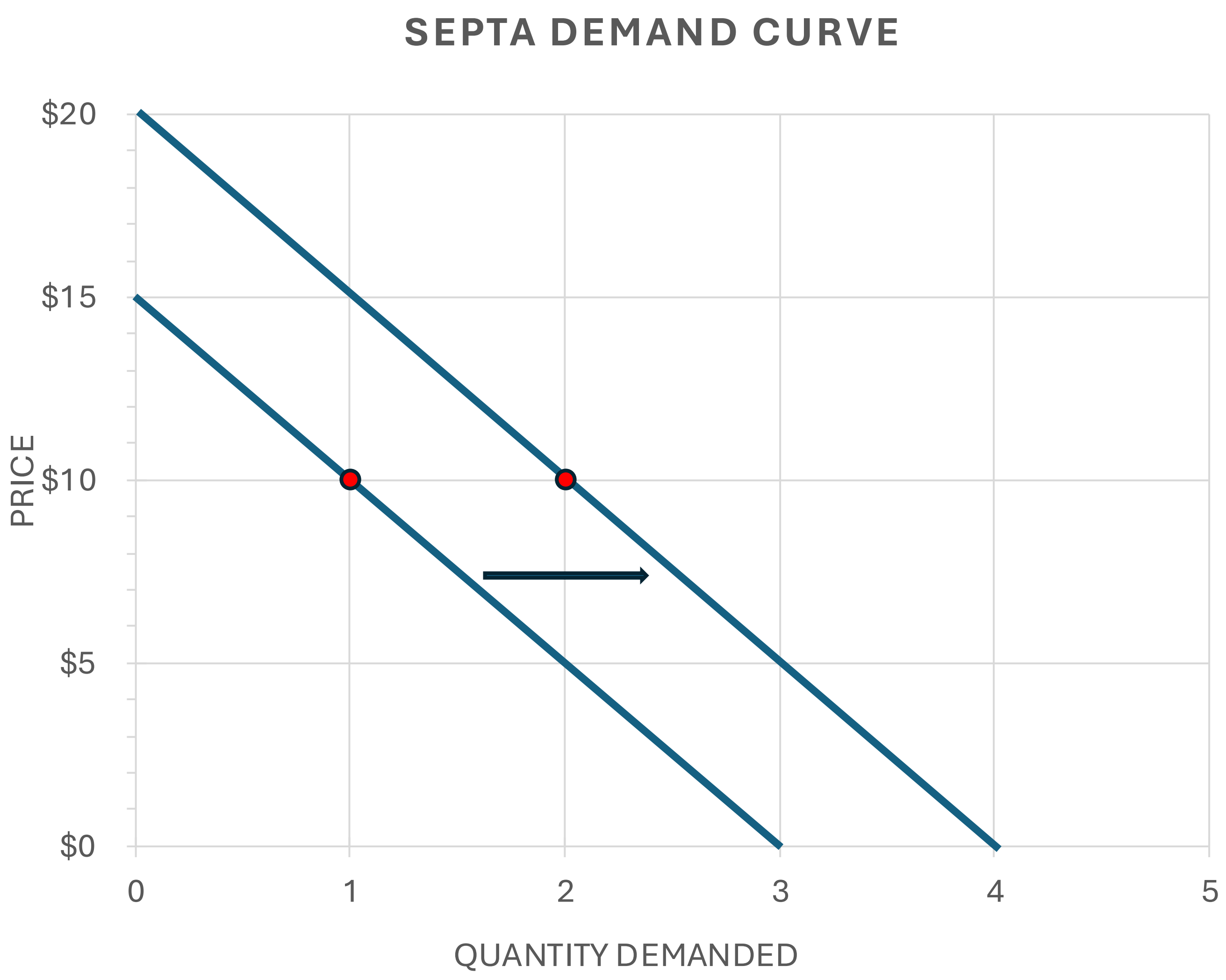
- **Complements**
  - Pairs of goods that are used together
  - Increase in the price of one leads to a decrease in the demand for the other

Substitutes

As gas prices increase, for public transit:

- At the same price,
  - Quantity demanded is higher!
  - People who used to drive will now take SEPTA

- Vice versa when substitute prices decrease

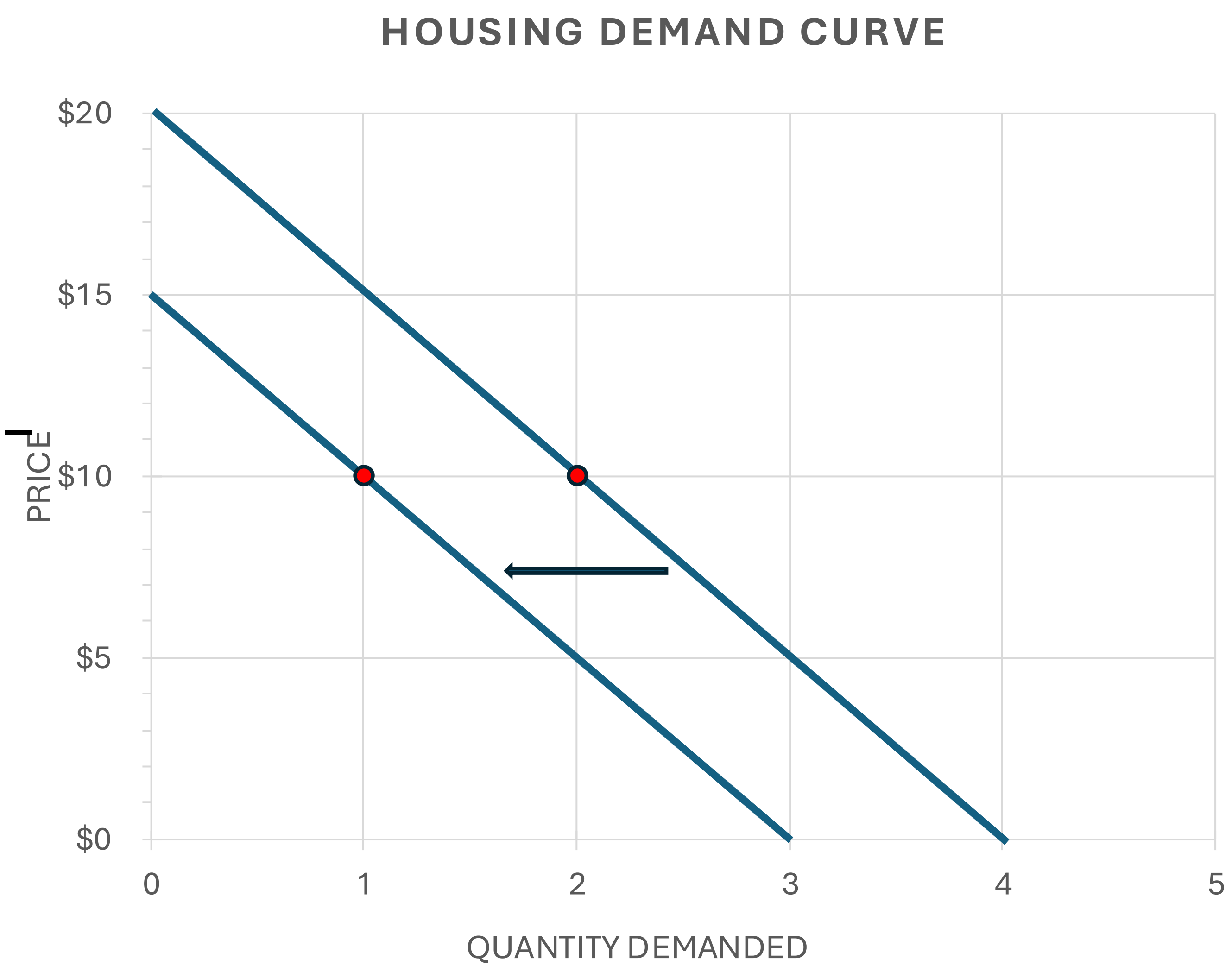


Complements

As home insurance prices increase, for homes:

- At the same price
  - Quantity demanded is lower!
  - Usually have to buy home insurance when buying a home – harder to afford both

- Vice versa when complement prices decrease



Complements

MORNINGSTAR

News > MarketWatch > Home insurance costs so much now that people can't pay their mortgages. Another loo...

Home insurance costs so much now that people can't pay their mortgages. Another looming threat could make things even worse.

MarketWatch Provided by Dow Jones • Jul 15, 2025, 2:14:00 PM

Tastes

- Tastes
  - Unique, affected by historical and psychological forces
  - Can increase or decrease demand for a good

BBC

Home News Sport Business Innovation Culture Arts Travel Earth Audio Video Live

Netflix to raise prices as new subscribers soar

22 January 2025

Share Save

Netflix will raise prices across a number of countries after adding nearly 19 million subscribers in the final months of 2024. ... Netflix announced better-than-expected subscriber numbers, helped by the second series of South Korean drama Squid Game as well as sports including a boxing match between influencer-turned-fighter Jake Paul and former world heavyweight champion Mike Tyson.

Expectations

- Expectations
  - Future changes in income
    - If I expect to earn more tomorrow?
    - If I expect to earn less tomorrow?
  - Future changes in prices
    - If I expect prices to go up tomorrow?
    - If I expect prices to go down tomorrow?

Gasoline Prices Surge Above $4 a Gallon, With No End in Sight

Traders and shippers are shunning Russian oil, pulling millions of barrels from global supplies and powering new increases at the pump

By Scott Patterson Follow

Updated March 8, 2022 9:56 am ET

Connie Schaefer, a stay-at-home mom of eight children in Columbus, Ohio, pays about $80 to fill up the tank of her Honda minivan. On Monday, when she saw a gas sign for $3.79 a gallon, she pulled into the gas station.

"I don't really need that (gas) at above half a tank, but I thought 'I better fill up while it's this price.' I saw another down the street at $3.99," she said.

Number of Buyers

- The more people want to buy a good
  - The higher the market demand at each price

Why are Utah gas prices so high? Blame the West Coast and our growing population

KUER 90.1 | By Saige Miller
Published November 18, 2022 at 2:00 AM MST

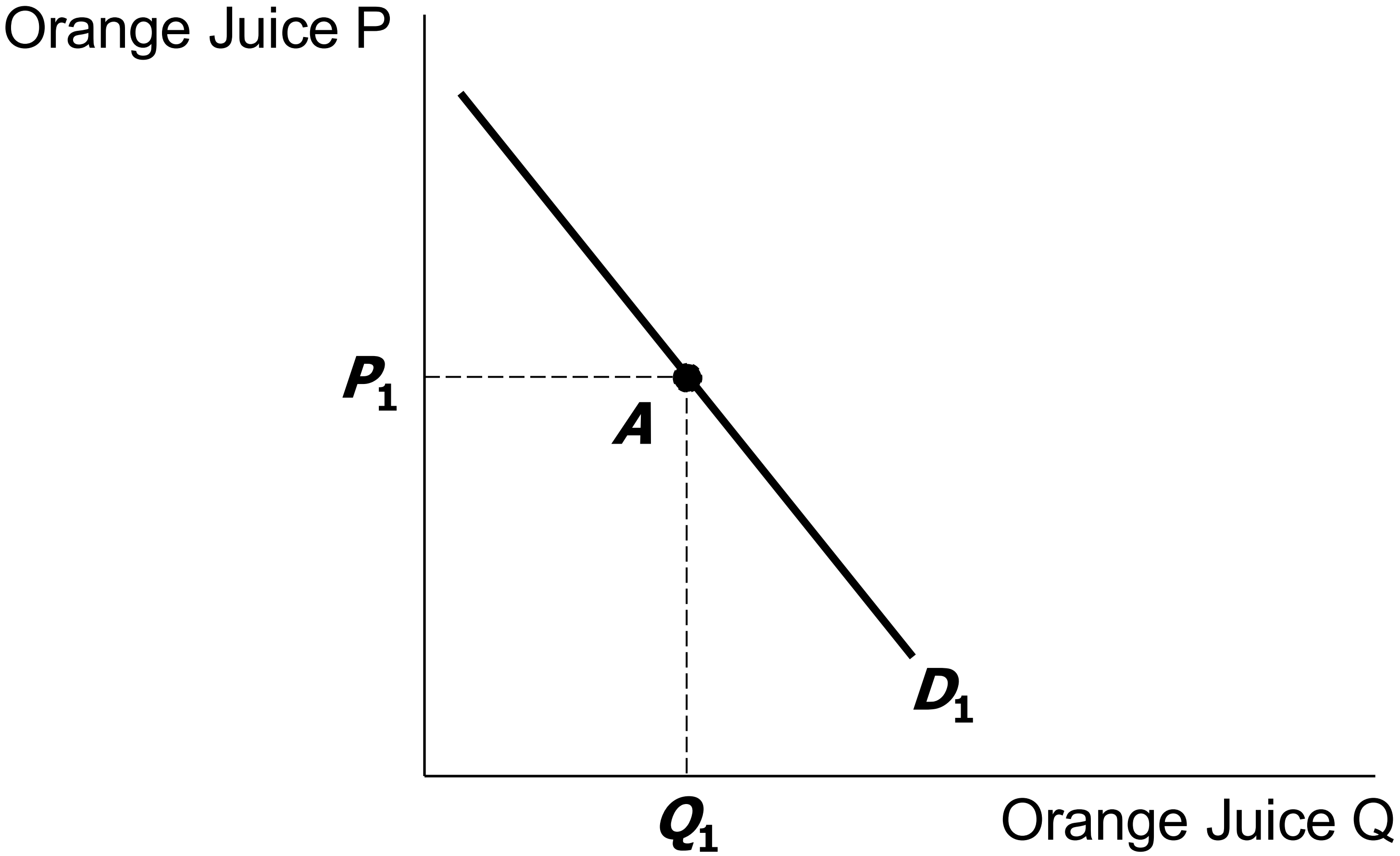
Brian Albers / KUER

Summary Table

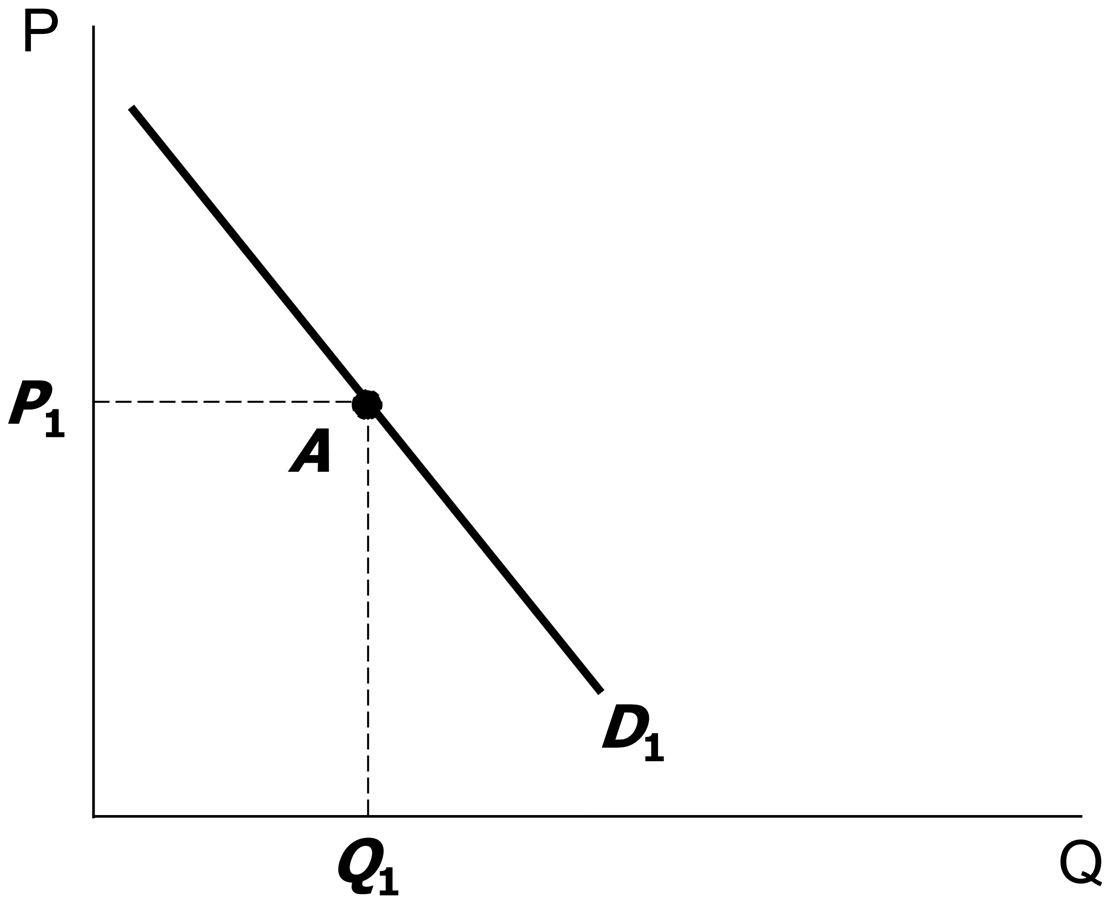
Variable	A Change in This Variable . .
Price of the good itself	Represents a movement along the demand curve
Income	Shifts the demand curve
Prices of related goods	Shifts the demand curve
Tastes	Shifts the demand curve
Expectations	Shifts the demand curve
Number of buyers	Shifts the demand curve

Test Yourself

Draw 3 demand curves for orange juice, $\boldsymbol{D_1}$, and choose a point ***A*** ($\boldsymbol{P_1}$, $\boldsymbol{Q_1}$) on the demand curve.



A. Apple Juice Inflation

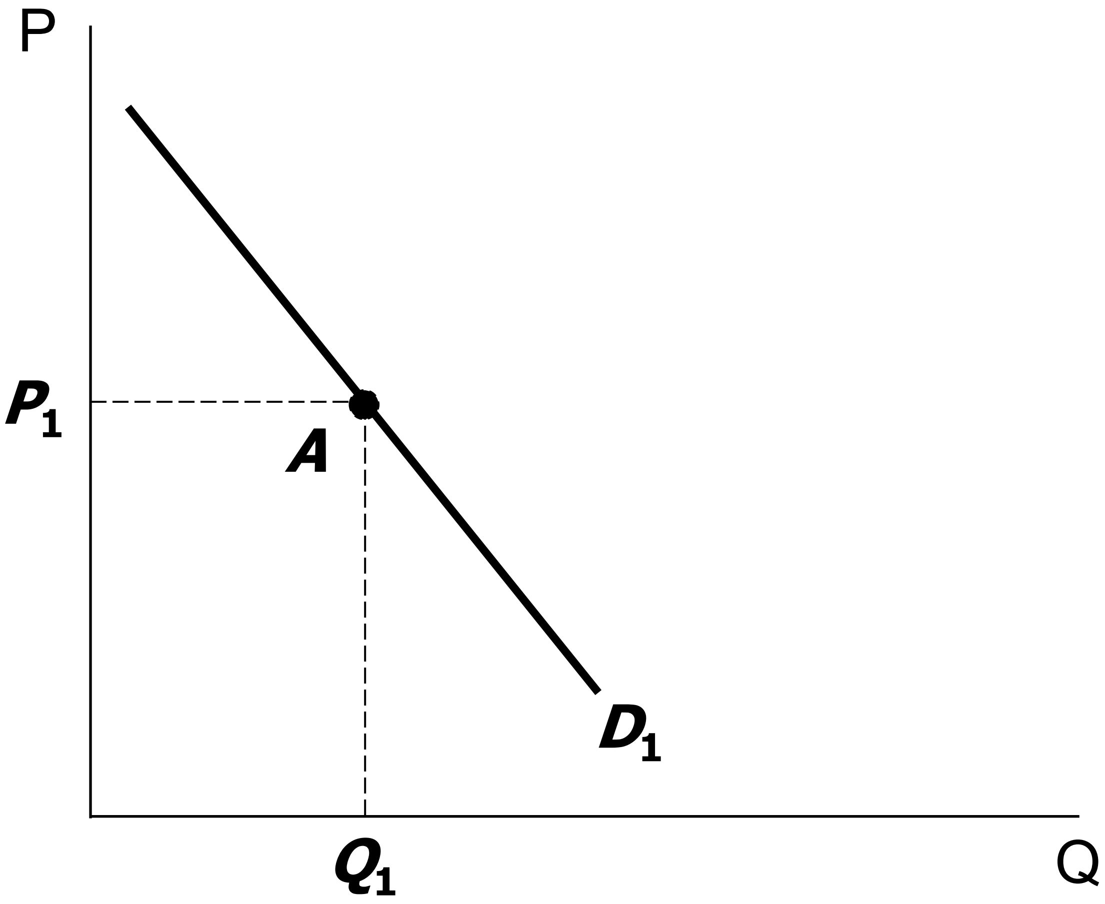


If prices of apple juice increase

➡️ A higher prices of apple juice prompts consumers to buy more orange juice at every price

➡️ The demand for orange juice increases (shifts to the right)

B. Orange Juice Deflation

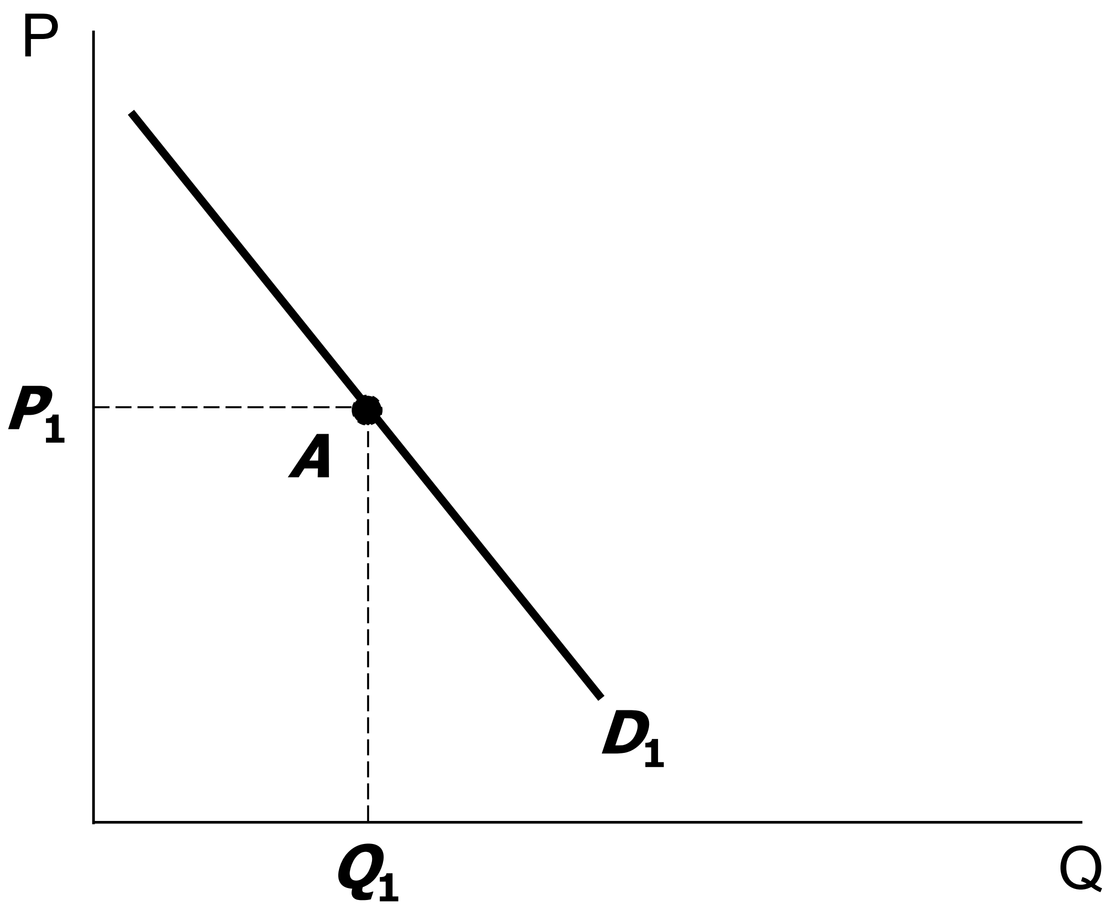


If orange juice prices fall

➡ A lower price of orange juice prompts consumers to buy more

➡ Price decreases, quantity demanded increases (but the curve doesn't shift!)

C. Lower Incomes



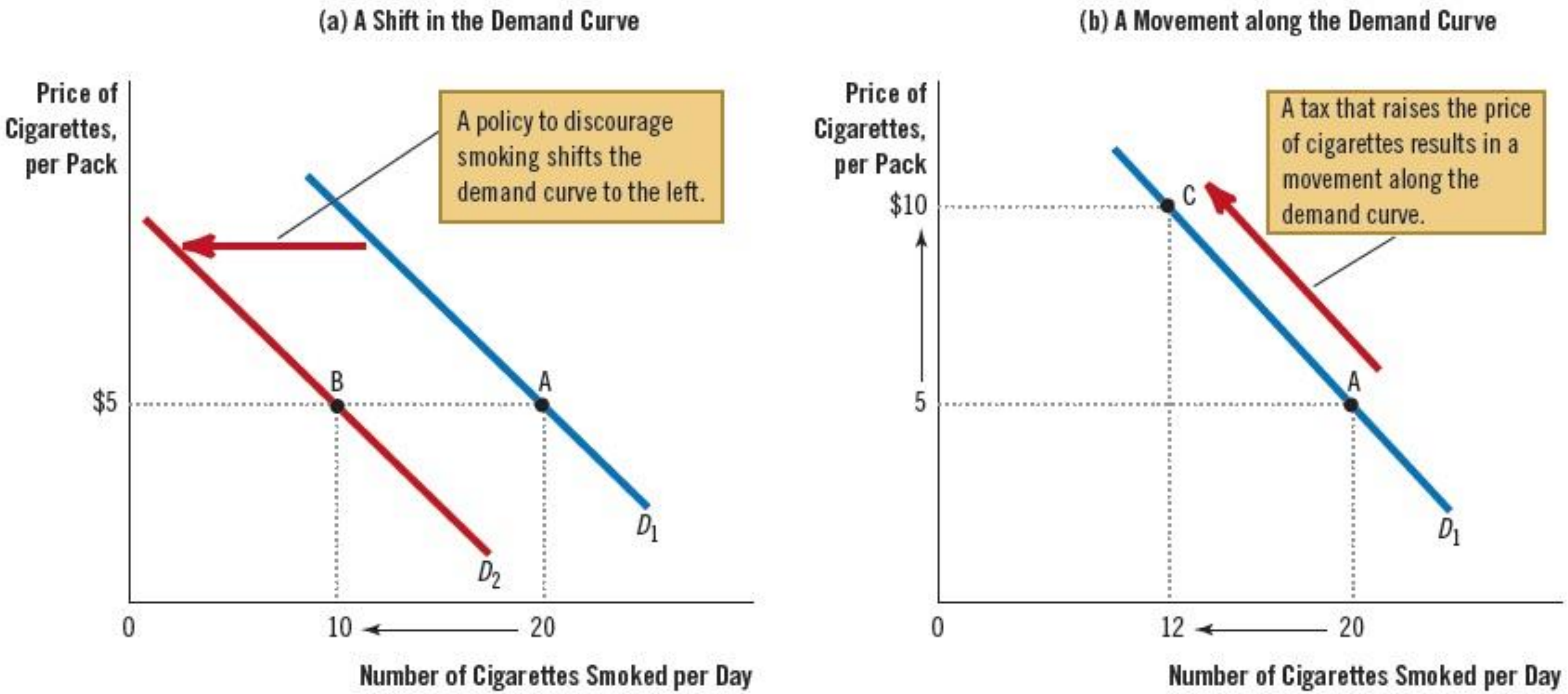
If incomes fall

➡ Less money to spend on OJ leads to less quantity demanded at every price

➡ The demand for orange juice decreases (shifts to the left)

How to Discourage Smoking?

- Want to lower the demand for smoking
  1. Warning labels (shift in taste)
  2. Higher taxes (change in price)



Announcements

- Review Chapter 4.1 – 4.2 (Markets and Competition, Demand)