

## Marketing:

### Equilibrium Price

Name: \_\_\_\_\_

1. What is the definition of “equilibrium price” and how is it represented when we make a graph of supply and demand?
2. What market forces move the price to equilibrium?
3. Using oil as an example, please describe what economic theory predicts will happen when the price of oil *is above the equilibrium price of \$30 per barrel?* (Please summarize what this video explains will happen at \$50 per barrel).
4. Using oil as an example, please describe what economic theory predicts will happen when the price of oil *is below the equilibrium price of \$30 per barrel?* (Please summarize what this video explains will happen at \$15 per barrel).
5. What is meant by a “surplus” and how do sellers adjust price when this happens?
6. What is meant by a “shortage” and how do sellers adjust price when this happens.

7. If we look at the demand curve, what type of buyers are represented by the downward sloping line *above* the equilibrium price?
  
9. If we look at the demand curve, what type of buyers are represented by the downward sloping line *below* the equilibrium price?
  
10. If we look at the supply curve, what type of buyers are represented by the upward sloping line *above* the equilibrium price?
  
11. If we look at the supply curve, what type of buyers are represented by the downward sloping line *below* the equilibrium price?
  
12. In class, we looked at some examples of products where this model of supply (upward sloping supply curve) and demand (downward sloping demand curve) does not determine the equilibrium price. Please identify one example of this and state why you believe this product is not represented by the model in the video.
  
13. Economic theory is a simple model. It is a valuable tool for making marketing decisions only when the model accurately represents a market. Please think about your experiences as a consumer and describe a situation where supply & demand works as shown in this video.
  
14. Please think about your experiences as a consumer and describe a situation where supply & demand *does not work* as shown in this video.