

Supply and Demand: Market Equilibrium

View the You-Tube Video at:

<http://www.youtube.com/watch?v=96bqcoO1cYU>

and answer the following:

Which of the following is NOT a distinctive feature of market equilibrium?

- a. It is the only price-quantity combination that is acceptable to buyers and sellers alike.
- b. Only the equilibrium price clears the market.
- c. At higher prices, sellers supply more than buyers are willing to purchase.
- d. The equilibrium price is determined by what buyers are willing and able to purchase.

Answer _____

Answer:

D. Process of elimination can be used. Market equilibrium is the only price-quantity combination that is acceptable to buyers and sellers alike. Only the equilibrium price clears the market, lower or higher prices cause shortages or surpluses. At higher prices, sellers supply more than buyers are willing to purchase, and at lower prices buyers demand more than suppliers are willing to supply.

What buyers are willing and able to purchase only describes the *demand curve*. You need to include the supply curve, too, when discussing market equilibrium.

