Supply and Demand — Cheat Sheet

Bonus one-pager for uniquestoremarket.com's “Understanding Supply and Demand: An Introduction to Microeconomics” guide

The six chapters, in order

1. **A market is a table first (Ch. 1)** — all buyers and sellers of one good; write the price–quantity table before drawing any curve.
2. **Demand slopes down (Ch. 2)** — two separate reasons: the substitution effect and the income effect.
3. **Supply slopes up (Ch. 3)** — marginal cost rises; a seller makes a unit when the price covers its marginal cost.
4. **Equilibrium (Ch. 4)** — quantity demanded = quantity supplied; surplus above it pushes price down, shortage below it pushes price up.
5. **Shifts vs. movements (Ch. 5)** — ask: did the good's own price change, or something else? Own price = movement; anything else = shift.
6. **The four-step routine (Ch. 6)** — name the market, pick the curve and direction, read the new equilibrium, check it against the four rules.

Do this week

- Write a price–quantity table for a good you buy regularly, four price levels, honest quantities, and plot your demand column (Ch. 1).
- Name three goods with close substitutes and three with almost none, and predict which demand responds strongly to a price rise (Ch. 2).
- Write a three-step marginal-cost ladder for something you could sell and mark which units you would make at two prices (Ch. 3).
- Use the coffee table to find equilibrium, then calculate the surplus or shortage at €6 and at €2 (Ch. 4).
- Sort (a) a new coffee shop opens, (b) a frost hits the harvest, (c) a weekend discount, (d) tea gets dearer into shift or movement (Ch. 5), then run the four-step routine on one real headline (Ch. 6).

Pitfalls the guide names

- Merging the two demand effects into “people buy less” — they are different mechanisms with different requirements (Ch. 2).
- Treating equilibrium as a fair or good price — it is only a resting point (Ch. 4).
- Labelling the price reaction after a shift as a second shift — it is a movement along the existing curve (Ch. 5).
- Analysing a market that is too broad (“the food market”), or guessing when both curves shift — name the indeterminate variable instead (Ch. 6).