TO SUM IT ALL UP...

In microeconomics, ***supply and demand*** *is an economic model of price determination in a market. It postulates that, holding all else equal, in a competitive market, the unit price for a particular good, or other traded item such as labor or liquid financial assets, will vary until it settles at a point where the quantity demanded (at the current price) will equal the quantity supplied (at the current price), resulting in an economic equilibrium for price and quantity transacted.*

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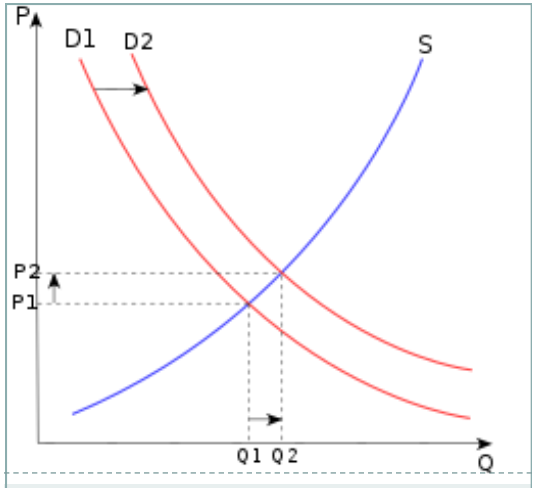
Supply and demand curve



The graph

Although it is normal to regard the quantity demanded and the quantity supplied as functions of the price of the goods, the standard graphical representation, usually attributed to Alfred Marshall, has price on the vertical axis and quantity on the horizontal axis.

Since determinants of supply and demand other than the price of the goods in question are not explicitly represented in the supply-demand diagram, changes in the values of these variables are represented by moving the supply and demand curves (often described as "shifts" in the curves). By contrast, responses to changes in the price of the good are represented as movements along unchanged supply and demand curves.

Supply schedule

A supply schedule is a table that shows the relationship between the price of a good and the quantity supplied by producers, depicted graphically as a supply curve. Under the assumption of perfect competition, supply is determined by marginal cost: firms will produce additional output as long as the cost of producing an extra unit is less than the market price they receive.

A hike in the cost of raw goods would decrease supply, shifting the supply curve up, while a production cost discount would increase supply, shifting costs down and hurting producers as producer surplus decreases.

The concept of a supply curve assumes that firms are *perfect competitors*, having no influence over the market price. This is because each point on the supply curve answers the question "If this firm is *faced with* this potential price, how much output will it be willing and able to sell?" If a firm has market power, its decision of how much output to provide to the market influences the market price, and the firm is not "faced with" any fixed price, so the relevant model must become more complex.

Economists distinguish between the supply curve of an individual firm and the market supply curve. The market supply curve is the sum of the quantities supplied by all suppliers at each potential price: individual firms' supply curves are added horizontally to obtain the market supply curve.

Demand schedule

A demand schedule, depicted graphically as a demand curve, represents the amount of certain goods that buyers are willing and able to purchase at various prices, assuming constant all other determinants of demand, such as income, tastes and preferences, the price of substitute goods, and the price of complementary goods. According to the law of demand, the demand curve is always downward-sloping, meaning that as price decreases, consumers will buy more of the good. Just as the supply curve parallels the marginal cost curve, demand curves are parallel marginal utility.[2] Consumers will be willing to buy a given quantity of a good, at a given price, if the marginal utility of additional consumption is equal to the opportunity cost determined by the price, that is, the marginal utility of alternative consumption choices. The demand schedule is defined as the *willingness* and *ability* of a consumer to purchase a given product at a certain time.