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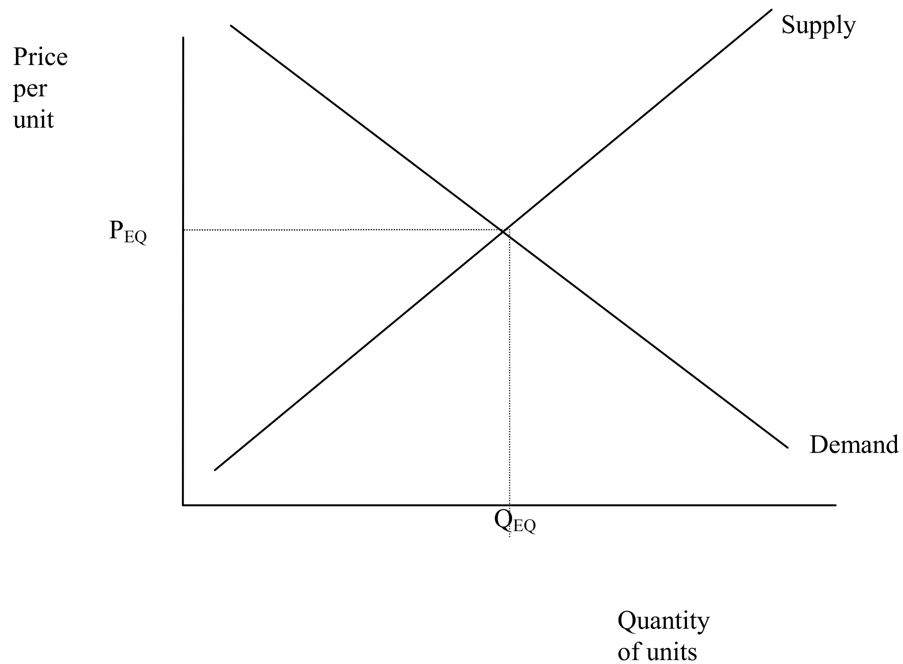
Model of a Competitive Market: Summary



Slopes upward due to Law of Supply
Shifts if an event causes:
--a change in production costs
(costs of resources, gov't taxes
or subsidies or regulations,
production technology)
--a sudden change in the # of sellers

Slopes downward due to law of demand
Shifts if an event causes:
--a change in tastes and preferences
--a change in buyers' incomes
--a change in buyers' expectations
--a change in prices of related goods

<u>Note 1</u>: A change in equilibrium is illustrated by a shift in the demand or supply curve (or, in rare cases, both curves).

<u>Note 2</u>: Government can prevent equilibrium with a price ceiling or a price floor.