Well here we are folks again, at part 8. We're going to continue our discussion by analyzing changes in demand and changes in supply. We'll begin with our equilibrium situation. We're going to use our same coffee beans example, and we're going to be starting off with the equilibrium, with the American consumers, where the only consumers in this equilibrium situation, are demanding $5 a pound. They're demanding 6,000,000 pounds of coffee, and the suppliers are willing to supply 6,000,000 pounds of coffee at $5 a pound, and the situation is in equilibrium. Now, we move forward in the problem. The problem would say that there is a new country that is also going to be purchasing coffee beans from the same suppliers. In this case Germany is going to be purchasing from the same suppliers. Therefore, there's going to be a lot more consumers purchasing coffee, or demanding coffee beans. Remember, that in any problem if they do not mention price, then we must be talking about a shift in the demand. The problem did not specify that there was a change in price therefore, we're not dealing with movement along the demand curve, we are dealing with more consumer so we must be dealing with a shift in the demand. Because there's more consumers, it's going to be a shift to the right. We go ahead and draw our second demand curve. What we notice is that the curve has shifted to the right as we would expect. This means the combined, and this is combined demand for both the United States and Germany together, the original demand curve is just the United States portion of that demand. What we see happening? Well the suppliers see this shift in the demand curve as an increase in price. Therefore, they experience a movement along the supply curve upward and into the right, to a new price level. Therefore, we end up establishing a new equilibrium level, equilibrium "2." That would be at a higher quantity. That would be 9,000,000 pounds of coffee supplied at the new equilibrium price of $7, which is $2 higher than the $5, the original equilibrium. All the suppliers are willing to supply all the coffee beans that are demanded by the combined group of Germany and America and that combined group will equal 9,000,000 pounds. What do the American consumer see happening though? To see that, we go back to the original demand curve, and we see that now American consumers are experiencing a rise in price from the original equilibrium level of $5 a pound to the new equilibrium level of $7 a pound. But at that higher price the American consumers are only willing to demand less coffee than they did at the original equilibrium lower price. The American consumers now are only going to demand 3,000,000 pounds of coffee, and they experience a decline in the number of pounds of coffee that they will demand because they have experienced an increase in price. Now let's take a look at the supply side of another problem. Here again we start off in an equilibrium situation where we have demand and supply, reusing the same coffee beans situation. The new scenario is an improvement in technology. Originally the suppliers were hand picking coffee beans, now somebody invents the perfect machine that will go through the rows of coffee plants and will pick only the right coffee beans, and therefore they're able to reduce their labor costs. New technology which reduces labor costs, will cause the supply curve to shift to the right. We see that as a shift to the supply curve. Now what do the consumers see? Remember that shift to the right has caused suppliers to supply more at every price. What do the consumers say? Well the consumer sees that as a lowering of the price to the new equilibrium level, so they see it as a lowering of the price and the new equilibrium level, will have the price now lowered down in this example- down to $3 a pound. The consumption will go from 6,000,000 pounds to almost 8,000,000 pounds; actually, you noticed my numbers are not exact. But you get the idea that where ever the curve moved to we now have a higher price for the new equilibrium level and more quantity being demanded and being supplied by the suppliers. The market is cleared at that that new equilibrium level. We're going to continue in

part 9 to discuss how a checklist, if you will, on how best to approach supply and demand problems so that you make sure that you answer them properly. We'll do that in part 9. Thank you very much.