

3.23: Changes in Supply and Demand

Learning Objectives

- Describe the differences between changes in demand and changes in the quantity demanded
- Describe the differences between changes in supply and changes in quantity supplied

It's hard to overstate the importance of understanding the difference between shifts in curves and movements along curves. Remember, when we talk about changes in demand or supply, we do not mean the same thing as changes in *quantity demanded* or *quantity supplied*.

A change in **demand** refers to a shift in the entire demand curve, which is caused by a variety of factors (preferences, income, prices of substitutes and complements, expectations, population, etc.). In this case, the entire demand curve moves left or right:

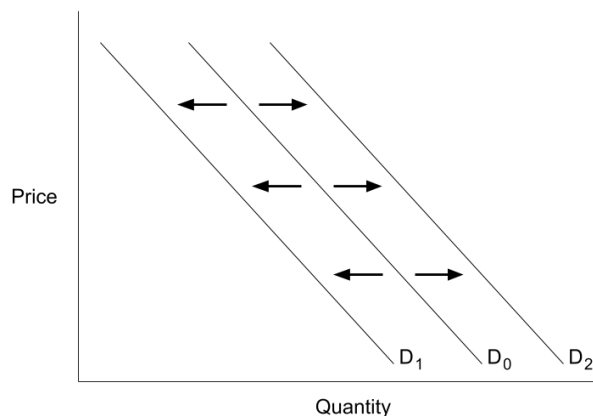


Figure 1. Change in Demand. A change in demand means that the entire demand curve shifts either left or right. The initial demand curve D_0 shifts to become either D_1 or D_2 . This could be caused by a shift in tastes, changes in population, changes in income, prices of substitute or complement goods, or changes future expectations.

A change in **quantity demanded** refers to a movement along the demand curve, which is caused only by a change in price. In this case, the demand curve doesn't move; rather, we move along the existing demand curve:

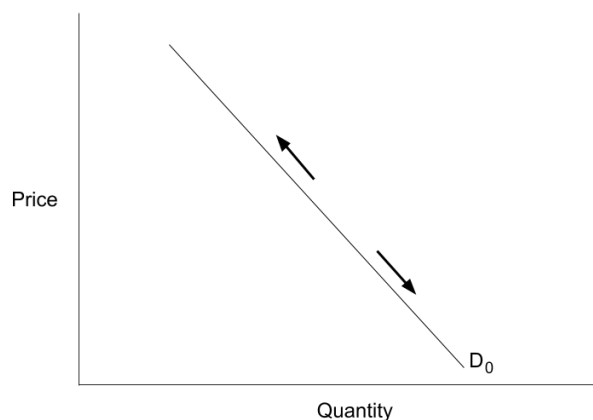


Figure 2. Change in Quantity Demanded. A change in the quantity demanded refers to movement along the existing demand curve, D_0 . This is a change in price, which is caused by a shift in the *supply* curve.

Similarly, a change in **supply** refers to a shift in the entire supply curve, which is caused by shifters such as taxes, production costs, and technology. Just like with demand, this means that the entire supply curve moves left or right:

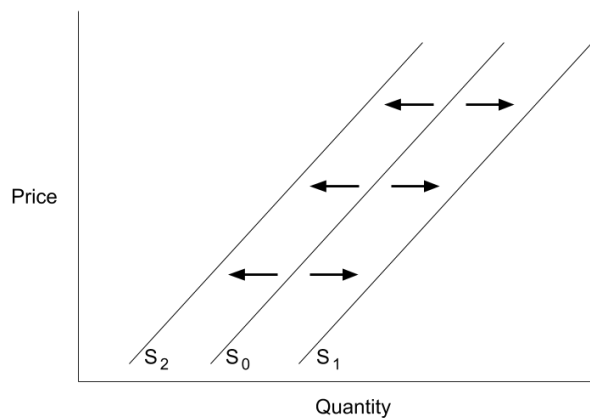


Figure 3. Change in Supply. A change in supply means that the entire supply curve shifts either left or right. The initial supply curve S_0 shifts to become either S_1 or S_2 . This is caused by production conditions, changes in input prices, advances in technology, or changes in taxes or regulations.

A change in **quantity supplied** refers to a movement along the supply curve, which is caused only by a change in price. Similar to demand, a change in quantity supplied means that we're moving along the existing supply curve:

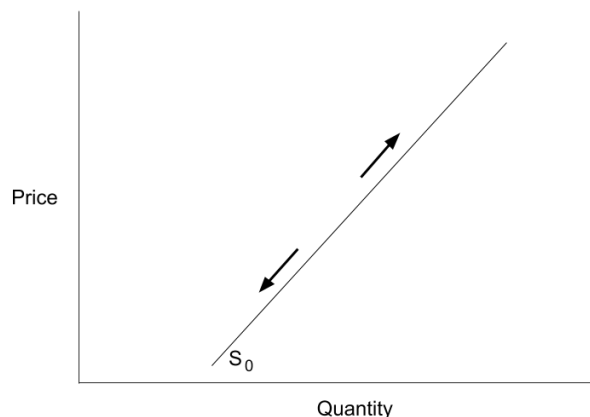


Figure 4. Change in Quantity Supplied. A change in the quantity supplied refers to movement along the existing supply curve, S_0 . This is a change in price, caused by a shift in the *demand* curve.

Here's one way to remember: a movement along a demand curve, resulting in a change in quantity demanded, is always caused by a shift in the supply curve. Similarly, a movement along a supply curve, resulting in a change in quantity supplied, is always caused by a shift in the demand curve.

Watch It

Watch this video for another demonstration of the important distinction between these terms.

A link to an interactive elements can be found at the bottom of this page.

Try It

Try graphing each of these situations to determine if they cause a shift in demand, quantity demanded, supply, or quantity supplied.

<https://assessments.lumenlearning.co...sessments/7128>

<https://assessments.lumenlearning.co...sessments/7129>

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Learning Objectives

[glossary-page][glossary-term]demand: [/glossary-term]

[glossary-definition]the relationship between the price and the quantity demanded of a certain good or service[/glossary-definition][glossary-term]quantity demanded: [/glossary-term][glossary-definition]the total number of units of a good or service consumers are willing to purchase at a given price[/glossary-definition][glossary-term]quantity supplied: [/glossary-term][glossary-definition]the total number of units of a good or service producers are willing to sell at a given price[/glossary-definition][glossary-term]shift in demand: [/glossary-term]

[glossary-definition]when a change in some economic factor (other than price) causes a different quantity to be demanded at every price[/glossary-definition][glossary-term]shift in supply: [/glossary-term][glossary-definition]when a change in some economic factor (other than price) causes a different quantity to be supplied at every price[/glossary-definition][glossary-term]supply: [/glossary-term]

[glossary-definition]the relationship between price and the quantity supplied of a certain good or service[/glossary-definition]
[/glossary-page]

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