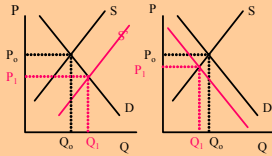


Demand Shift or Supply Shift?



The Market for Illegal Drugs

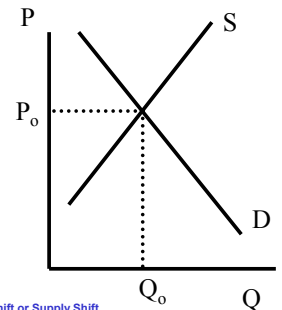
- When drug prices are low, law enforcement gets blamed.

The Market for Illegal Drugs

- When drug prices are low, law enforcement gets blamed.
- Lax enforcement means that supply increases, meaning lower prices.

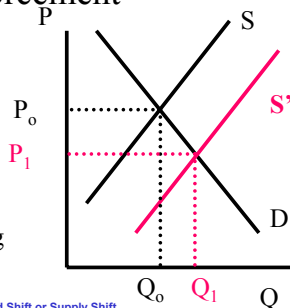
Supply and Demand

- When drug prices are low, law enforcement gets blamed.
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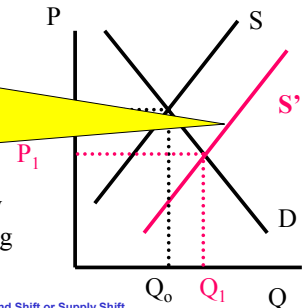
The Consequence of Lax Enforcement

- When drug prices are low, law enforcement gets blamed.
- Lax enforcement means that supply increases, meaning lower prices.



The Supply Shift

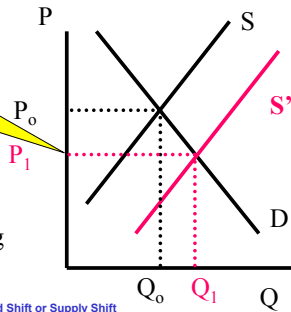
- When drug prices are low, law enforcement gets blamed.
- Lower criminal penalties mean a lower cost of doing business, hence greater supply



Lower Prices

- When drug prices fall, it is often claimed that means a lower price.

- Lax enforcement means that supply increases, meaning lower prices.



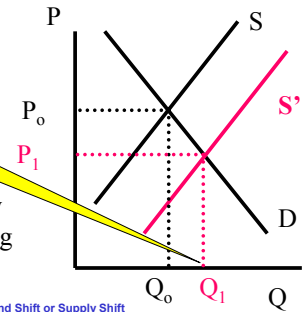
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Demand Shift or Supply Shift

Greater Quantity

- When drug prices fall, it is often claimed that means a higher quantity.

- Lax enforcement means that supply increases, meaning lower prices.



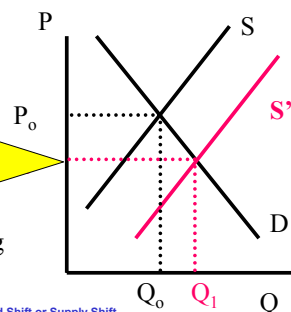
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Demand Shift or Supply Shift

The Market for Illegal Drugs

Once again, the police are spending too much time eating donuts!

- Lax enforcement means that supply increases, meaning lower prices.



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Demand Shift or Supply Shift

Not So Fast

- An economist would object to this rapid conclusion.

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Demand Shift or Supply Shift

An Alternative Explanation

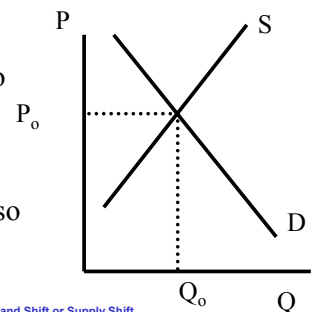
- An economist would object to this rapid conclusion.
- The decline in prices could also be due to a demand shift.

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Demand Shift or Supply Shift

The Market for Illegal Drugs

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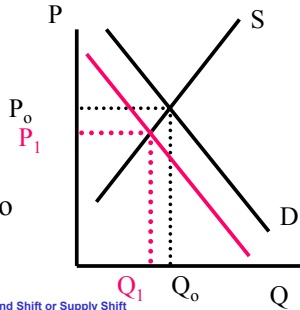


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Demand Shift or Supply Shift

The Market for Illegal Drugs

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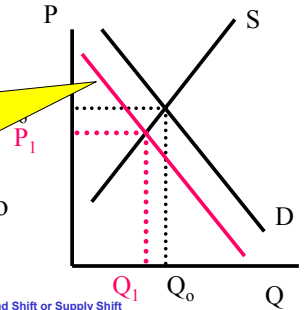


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Demand Shift or Supply Shift

The Market for Illegal Drugs

- An economist
- Drug Education causes the demand curve to shift to the left

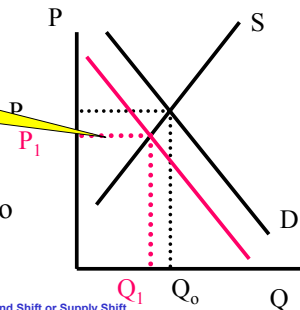


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Demand Shift or Supply Shift

The Market for Illegal Drugs

- An economist
- Prices Decline to conclusion.
- The decline in prices could also be due to a demand shift.

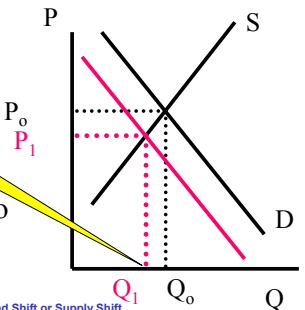


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Demand Shift or Supply Shift

The Market for Illegal Drugs

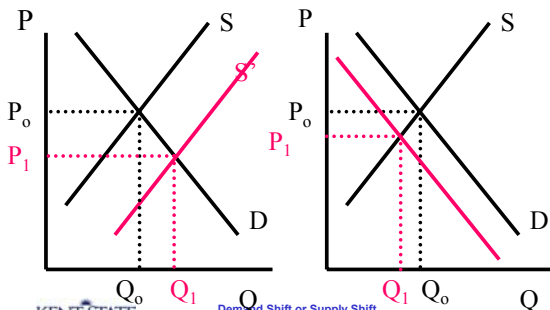
- An economist
- And Quantity Falls to conclusion.
- The decline in prices could also be due to a demand shift.



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Demand Shift or Supply Shift

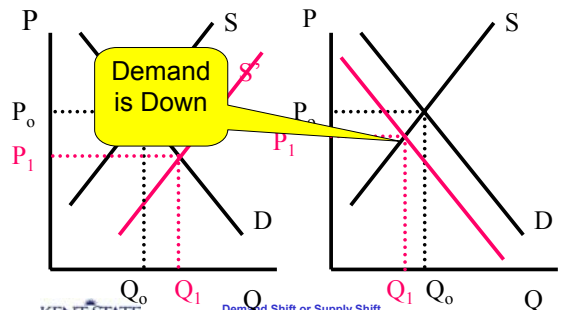
Two Explanations



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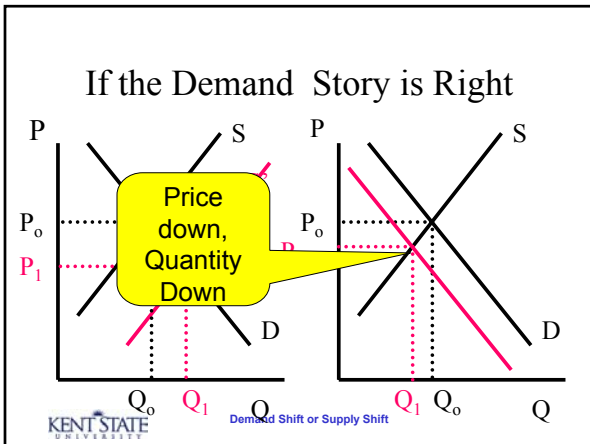
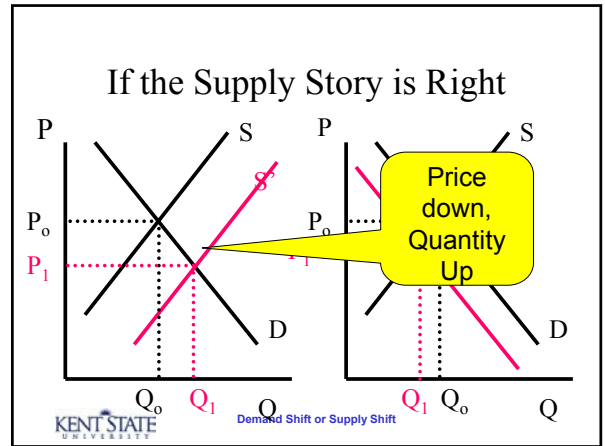
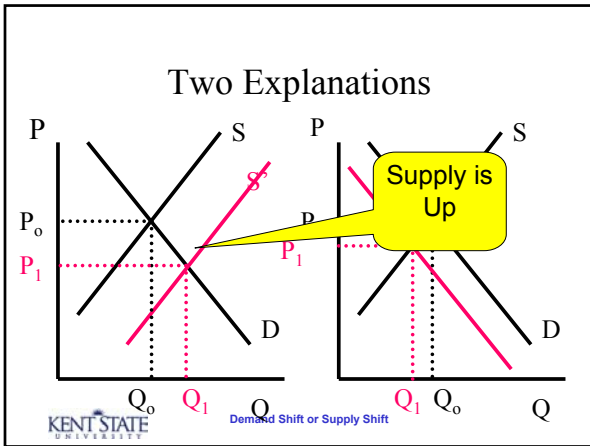
Demand Shift or Supply Shift

Two Explanations



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Demand Shift or Supply Shift



What is Going On

Quantity	Price	Cause
Down	Down	Demand Down
Down	Up	Supply Down
Up	Down	Supply Up
Up	Up	Demand Up

Demand Shift or Supply Shift

What is Going On

Quantity	Price	Cause
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Down	Up	Supply Down
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Demand Shift or Supply Shift

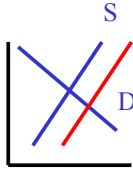
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Demand Shift or Supply Shift

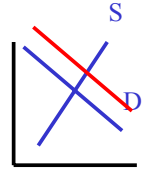
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What is Going On

Quantity	Price	Cause
Down	Down	Demand Down
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The Moral of The Story

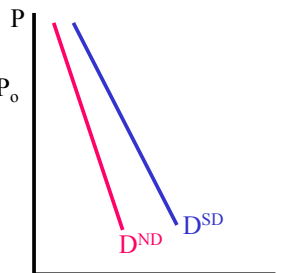
Quantity	Price	Cause
Down	Down	Demand Down
Down	Up	Supply Down
Up	Down	Supply Up
Up	Up	Demand Up

Life is supply and demand, but don't think about one without thinking about the other.

Adding Up Demand Curves -A Bonus

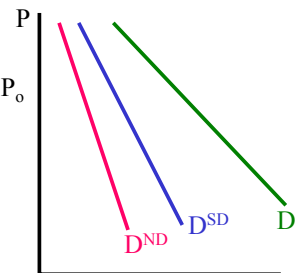
Adding up demand functions

- Suppose we have the demand functions for North Dakota and South Dakota.



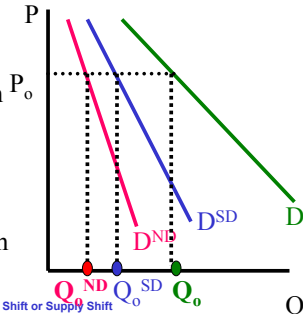
Adding up demand functions

- Suppose we have the demand functions for North Dakota and South Dakota.
- To get the combined demand functions, add them up horizontally.



Adding up demand functions

- Suppose we have the demand functions for North Dakota and South Dakota.
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Demand Shift or Supply Shift

End

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Demand Shift or Supply Shift