

Market Equilibrium – Existence, Uniqueness and Stability

Equilibrium is a state of rest – once attained tends to remain unchanged. Such a position is obtained in the market for a product when quantity demanded is just equal to the quantity supplied of the product. In figure 1 such position is shown by the point of intersection between the market demand and market supply curves.

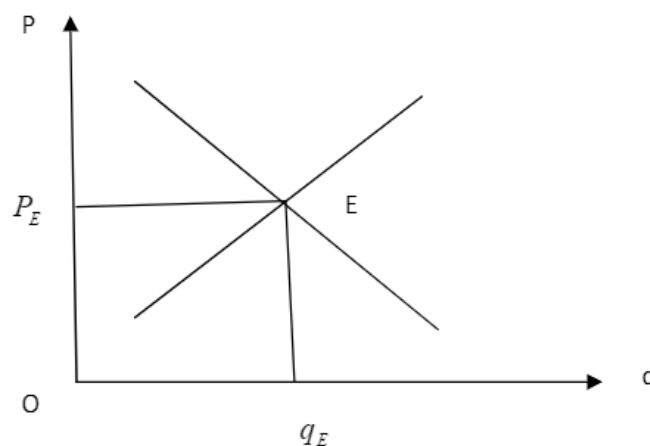


Figure 1

Uniqueness:

In the diagram E defines the market equilibrium position. The price P_E and q_E – as given by the equilibrium point E – are equilibrium price and quantity respectively.