Econ Notes: Chapter 4

Demand

- The **quantity demanded** of any good is the amount of the good that buyers are willing and able to purchase at specific price. QD is a point on the demand curve
- The **demand curve** is a set of various quantities demanded (qd) at corresponding prices. It is curve itself
- **Law of demand**: the claim that the quantity demanded of a good falls when the price of the good rises, other things eqal.

*buy more people prices go down, buy less man prices go up
* inverse between QD and P

The Demand Schedule

- **Demand Schedule**: a table that shows the relationship between the price of the good and the quantity demanded
- Ex: Helen's Demand
- Notice that Helen's preference obey the law of demand.

*price of vertical, quanity on

Market Demand vs. Individual Demand

- The quantity demanded in the marker is the sum of the quantities demand by all buyers at each price
- Suppose Helen and Ken are the only two buyers in the Latte marker. (Qd= quantity demanded
    - *don't add the prices

Demand Curve Shifters

- The demand curve shows how price affects quantity demanded, other things being equal. A change in the price of the good changes **QD** and results in a movement along the **D** curve.
- These "other things" are non-price determinants of demand (ex. Things that determine buyers' demand for a good, other than good's price).
- Change in them shift the **D** curve...

*rightward– increase, leftward- decrease

1. # of Buyers
    - Increase in # of buyers increases quantity demanded at each price, shifts D to the right.

2. Income
    - Demand for a **normal good** is positively related to income.
        - Increase in income causes increase in quantity demanded at each price, shifts D curve to the rig

- (Demand for an **inferior good** is negatively related to ince. An increase in income shifts D curves for inferior goods to the left.) (Public transportation, tab water

3. Price of Related Goods
   - Two goods are **substitutes** if an increase in the price of one causes an increase in demand for the other (move in same direction
     - Ex. Crest and Colgate. AN increase in the price of Crest toothpaste increases demand for Colgate toothpaste, shifting the Colgate demand curve to the right.
     - Coke and Pepsi, laptops and desktops, butter and margarine, CDs and music downloads.
   - Two goods are **complement** if an increase in the price of one causes a fall in demand for the other. (move in
     - Ex. Computers and software. If the price of computers rises people buy fewer computers, and therefore less software. Software demand curve shifts left.
     - College tuition and textbooks, bagels and cream cheese, peanut butter and jelly, hot dogs and hot dogs buns.

4. Taste
   - Absolute advantage
   - Anything that cause a shift in tastes toward a good will increase demand for that good and shift its D curve to the right.
     - Ex. The Atkins diet became popular in the 90s, caused an increase in demand for eggs, shifted the egg demand curve to the right.
     - Also tablet computers, such as the IPad, are currently very popular so the demand curve for these computers has shifted to the right as well.

5. Expectations
   - Absolute advantage
   - Expectations affects consumer's buying decisions
     - Ex. If people expect their income to rise, their demand for meals at expensive restaurants may increase now
     - If the Economy sours and people worry about their future job security, demand for new autos may fall now.

Summary: Variable That Influence Buyers
****pg 71 will be on test

Supply

- The **quantity of supplied** of any good is the amount that sellers are willing and able to sell at a specific price. QS is a point on the supply curve
- The **supply curve** is a set of various quantities supplied (QS) at corresponding prices.
- **Law of supply**: the claim that the quantity supplier of a good rises when the price of the good rises, other things equal
    - Prices foes up sqs goes up, prices goes down,
    - Producer wants to make more if price is high, incentive.

Supply Schedule

- **Supply Schedule**: a table that shows the relationship between the price of a good and the quantity supplied.
    - EX. Starbucks supply lattes
    - Notice that Starbucks' supply schedule obeys the Law of Supply

Marker Supply vs. Individual Supply

- The quantity supplied in the marker is the sum of the quanities supplied by all sellers at each price.
- Suppose Starbucks and Crimson Café are the only two sellers in this market (Qs= quantity supplied)

Supply Curve Shifters

- The Supply Curve shows how price affects quantity supplied, other things equal. A change in the price of the good changed **QS** and results in a movement along the S curve.
- These "other things" are non-price determinants of supply.
- Changes in them shift the S curve…

1. Input Prices
    - Ex. Of input prices: wages, price of raw materials
    - A fall in input prices makes production more profitable at each output price, so firms supply a larger quantity at each price, and the **S** curve shifter to the right.

2. Technology
    - Technology determines how much inputs are required to produce a unit of output.
    - A cost-saving technological improvement has the same effect as a fall in input prices, shifts S curve to the right. (*always shifts right)