Micro Ch. 4

1. **Market:** a group of buyers and sellers of a good/service
2. **Competitive Market:** one with many buyers and sellers, each has little to no effect of the price
    a. One seller can't change the price without risking loss of business
3. **Perfectly Competitive**
    a. All goods are the same (homogeneous)
    b. All buyers and sellers are the "price-takers"
    c. No power to change price
4. Law of demand quantity demanded falls when the price of the good rises
5. Demand schedule: a table that shows the relationship between price and quantity demand
6. **Market demand curve:** the sum of all individual demand curves
7. Shifters of the demand curve
    a. Increase: shift to the right
    b. Decrease: shift to left
    c. Change in the number of buyers
    d. Income changes - depends on the good
        i. Normal goods
            1. A good you demand more of if income rises
            2. Shoes, purse, new car, house, used cars
        ii. b. Inferior Good
            1. Ramen noodles, frozen pizza, bus rides, off brand things, keystone
            2. Anything you would stop buying when you earn more money
            3. When income increases, quantity demand decreases
8. Price of related goods
    a. Hot dog price increases, your quantity demand decreases
    b. Compliments: increase in the price of one good, decrease in the quantity of the other
    c. Price of pizza increases, demand for Hot Dogs increases
    d. Substitutes: increase in the price of one good, increase in the quantity of the other
9. **Tastes:** shift your entire demand no matter the price
10. Change the price of good we are talking about it is a movement not a shift
11. Expectations
12. **Supply**
    a. **Law of supply:** claim that quantity supplied increases, when the price of a good increases
    b. **Supply Schedule:** for an individual supplier, their supply curve = Marginal Cost (MC) curve
    c. Supply shifters
        i. Input prices
            1. Ex: company sells windows, takes 2 months to install

windows to get paid, could run out of money in the meantime

2. Input prices could be wages

ii. Technology - increase in supply

iii. Number of sellers - ex: restaurants opening downtown, increase supply of food, lower the price

iv. Expectations - even though things change in the future (maintenance on oil refineries) priced will increase today