

- Change in Q Demanded v. Change in Demand
  - Change in price causes movement along the curve...a change in Q demanded
  - Change in something else...like, income... causes the entire curve to shift... change in Demand
- 1<sup>st</sup> demand shift factor: A change in income
  - for most goods, an increase in income means an increase (shift right) in demand
    - “normal” goods
  - for a few goods, an increase in income means a decrease (shift left) in demand
    - “inferior” goods
- 2<sup>nd</sup> demand shifter: A change in the prices of related goods
  - a change in the price of one good, Good X, can cause a change in the demand for Good Y...
    - complements
    - substitutes
- 3<sup>rd</sup> demand shift factor: A change in tastes and/or preferences
  - tastes change...something becomes more popular...
    - demand for the good will increase—shift right
  - tastes change...something falls out of fashion
    - demand for the good will decrease—shift left
- 4<sup>th</sup> demand shifter: A change in expectations (price)
  - expect the price to be higher in the future, demand shifts right (increase) as you demand more today
  - expect the price to be lower in the future, demand shifts left (decreases) as you wait for that lower price

- 5<sup>th</sup> demand shifter: Population and Demographics
  - could also be considered “number of buyers”
  - as overall population increases, demand increases
  - as specific populations increase (examples: over 55, Hispanic) demand for specific goods/services increase

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□ What can cause a shift in demand?

- change in income
- change in the price of other goods
- change in tastes/preferences
- change in expectations
- change in population/demographics

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A change in price causes a movement along the supply curve

- change in quantity supplied

A change in something else causes whole supply curve to shift

- change in supply

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□ 1<sup>st</sup> supply shifter: change in technology

- a positive technology change
  - a new way of making something
  - a technological “break through”

- o supply curve will shift right (increase)

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□ Negative technology shock

- A negative technology shock (your factory blows up) shifts supply to the left
- A decrease in supply

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□ 2<sup>nd</sup> supply shifter: change in the price of inputs

- if prices of the input goes up, supply is going to shift to the left

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□ 3<sup>rd</sup> supply shifter: change in expectation

- Expectations about prices affect supply in exactly the opposite way that they affect demand
- Recall: with demand, if you think prices will go down in the future you will demand less today
- With supply, if you think prices will go down in the future you supply more today

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□ 4<sup>th</sup> supply shifter: change in the number of (firms) sellers

- an increase in the number of firms (sellers) will increase the supply...shifting it to the right
- a decrease in the number of sellers shifts the supply curve to the left

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□ 5<sup>th</sup> supply shifter: change in prices of substitutes in production

- farmer in Western Kansas, has 400 acres
- currently grows (and supplies) wheat