

ECON 203: Principles of Microeconomics

Class 4: Demand and Supply

Markets and Competition

- *A market* is a group of buyers and sellers of a particular good or service.
- *A perfectly competitive market* is a market in which:
 - There is a large number of sellers and buyers.
 - All sellers offer exactly the same goods.
 - No single buyer or seller can influence the market price.
- *Demand and supply* refer to the behavior of buyers and sellers as they interact in markets.

Demand

- Quantity demanded: the amount of a good that buyers are willing and able to buy at a given price.
- Law of demand: other things being equal, the quantity demanded of a good falls as the price rises.
 - Example: demand for computers.
 - Back in 1990 when computers were expensive only big companies and rich individuals would buy them.
 - Nowadays, computer are cheap and most people have one.