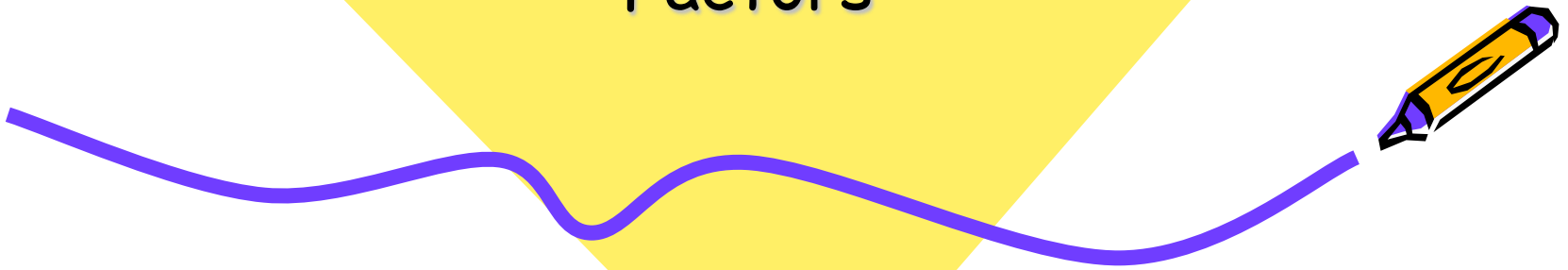




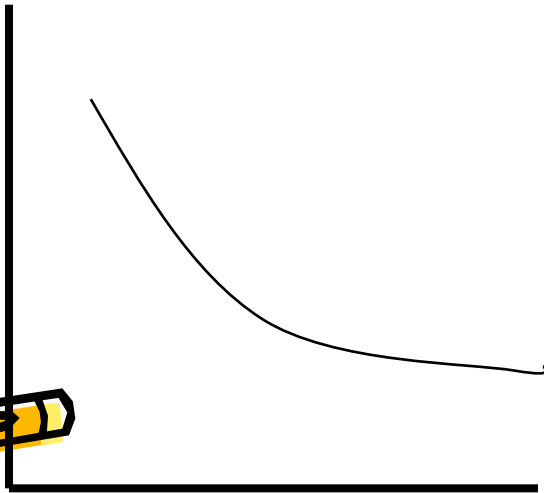
Demand

What is it?
Factors

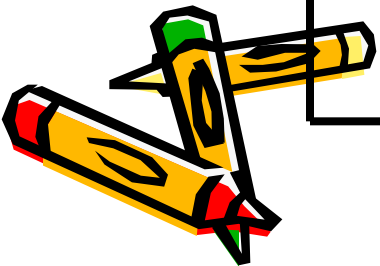


What is it?

- The desire, ability, and willingness to buy a product at a certain time and place
- Presented in schedule or graph



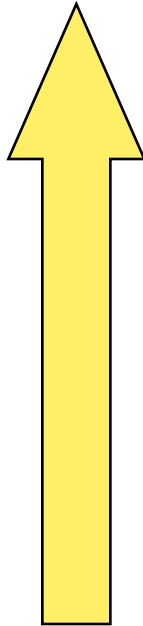
Jeans	
Price	Quantity Demanded
\$20	5
\$40	4
\$60	3
\$80	2
\$100	1



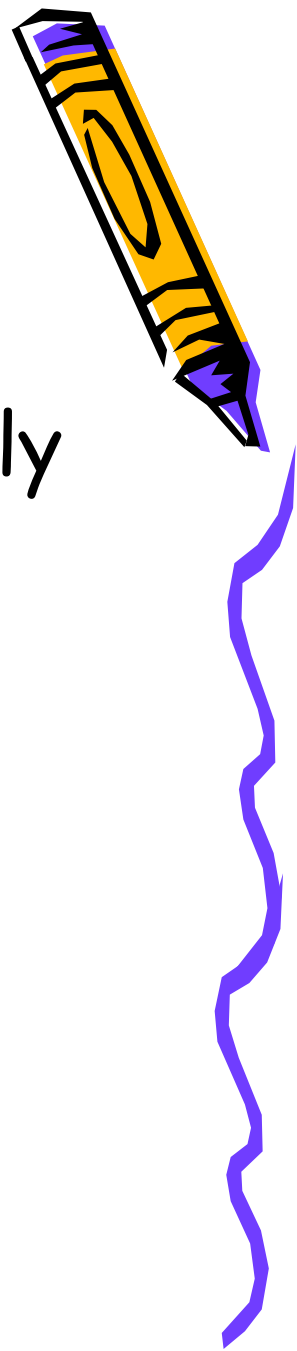
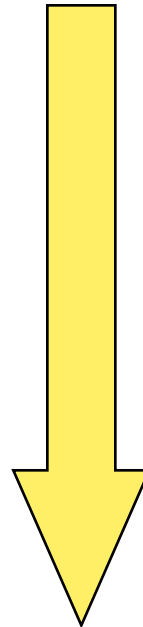
Law of Demand

- Quantity Demanded varies inversely with price

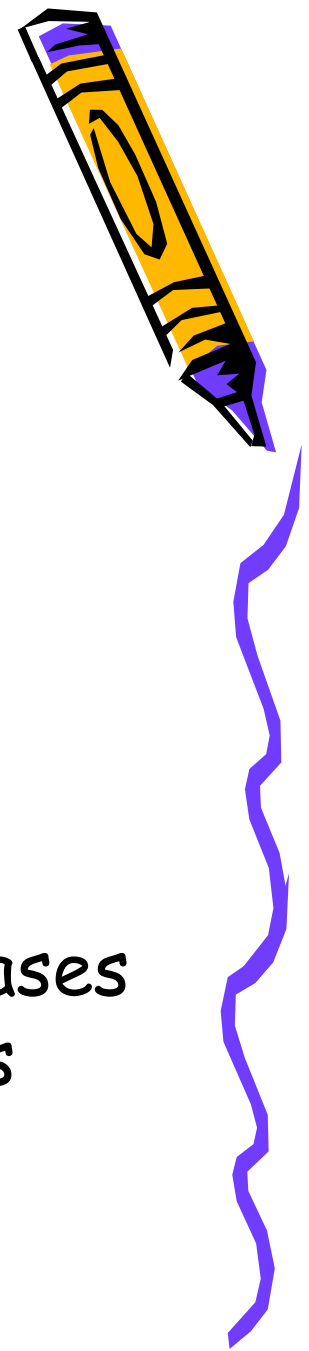
Price



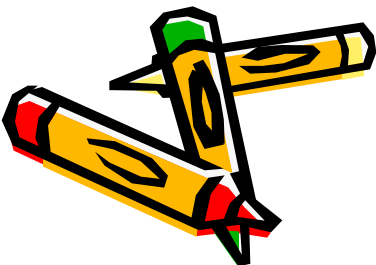
Quantity Demanded



Why do we buy?



- Marginal Utility
 - Extra satisfaction one gets from acquiring one more unit of a product
- Diminishing Marginal Utility
 - For any good or service, the marginal utility of that good or service decreases as the quantity of the good increases



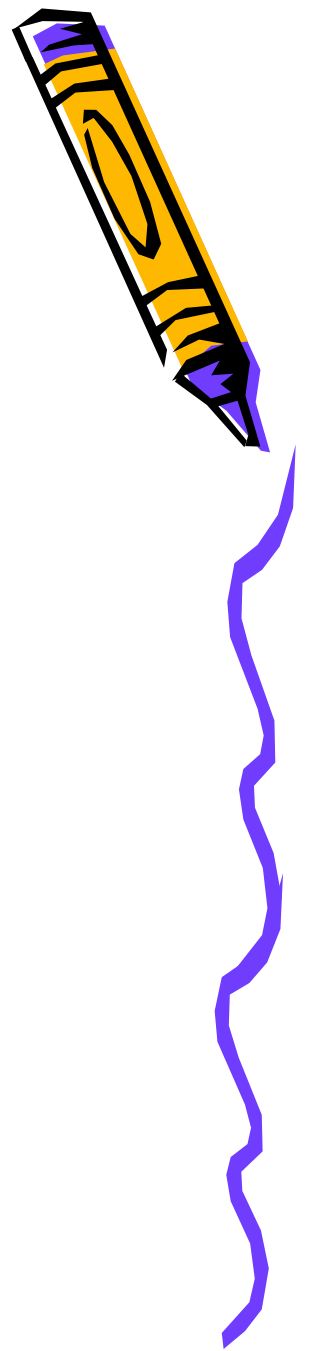
Change in Quantity Demanded



- Reflected by move along demand curve
- Income Effect
 - Change in price alters consumers' real income
 - Example: Gas Prices
- Substitution Effect
 - Price of a good is relatively less expensive than other goods



Change in Demand



- People buy different amounts of a good even when price is the same
- Shift in the demand curve
- Shift Variables (SV)—think SEPTIC
 - The price of **S**ubstitute goods
 - **E**xpectations of a price change
 - Change in **P**opulation
 - Changes in **T**astes
 - Changes in **I**ncome
 - The price of **C**omplementary goods



Elasticity

- shows how dependent we are on a good
- The extent to which a change in price causes a change in the quantity demanded

