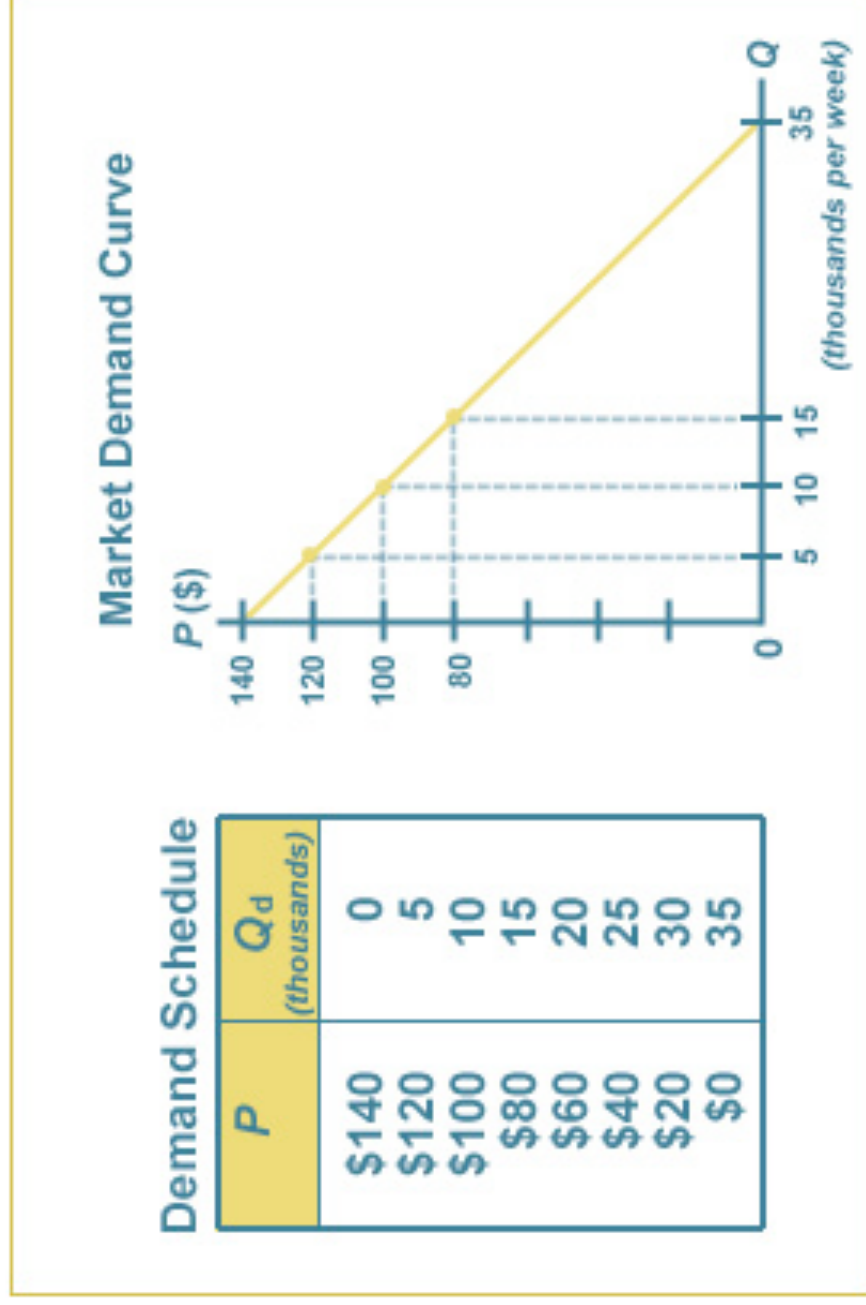


## CHAPTER 4 - DEMAND



## CHAPTER 4

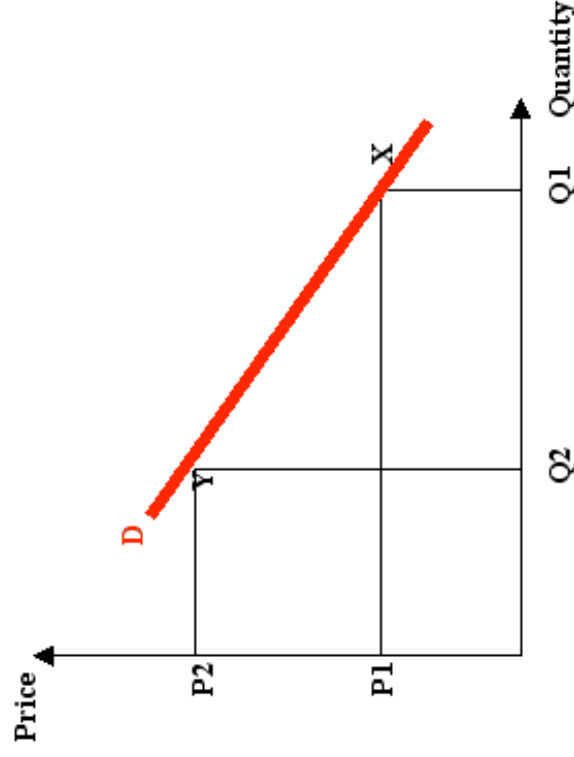
- Demand – The desire, ability, and willingness to buy a product – can compete with others who have similar demands



## CHAPTER 4

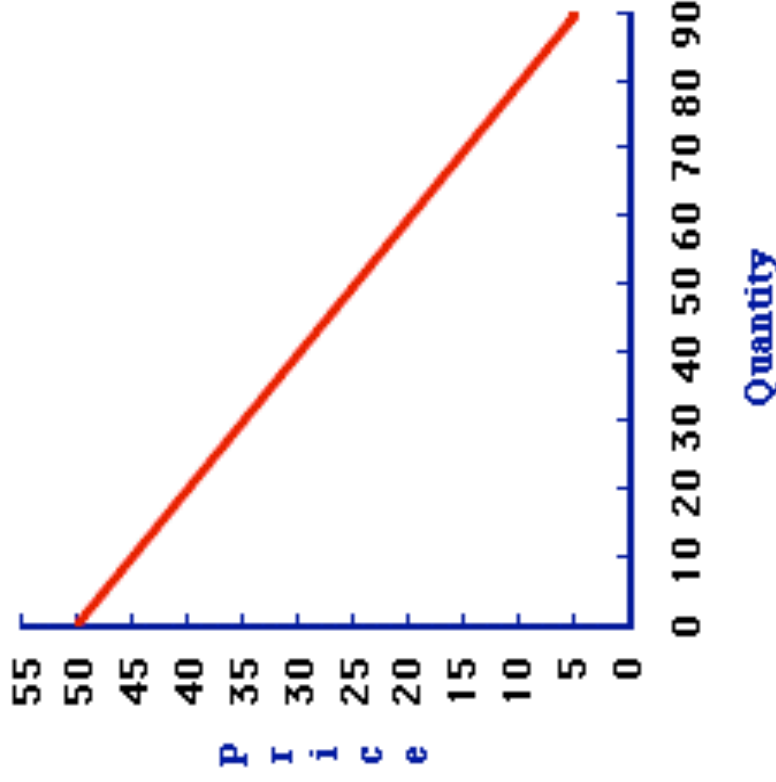
- Demand Schedule – A listing that shows the various quantities demanded of a particular product at all prices that might prevail in the market at a given time – show example
- Demand Curve – A graph showing the quantity demanded at each and every price that might prevail in the market – show example

DRAWING 10



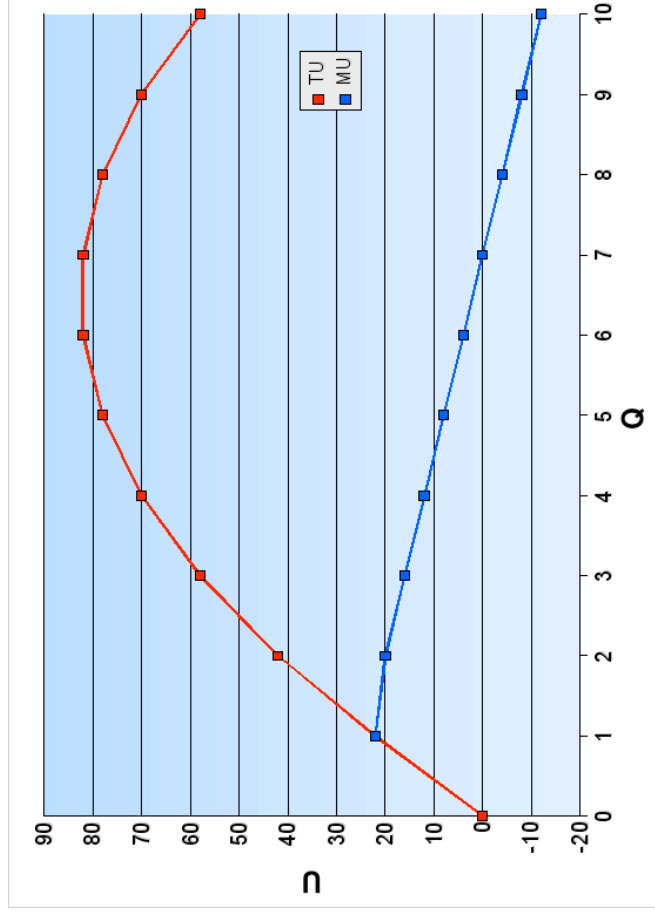
## CHAPTER 4

- Law of Demand – the quantity demanded of a good or service varies inversely with its price
  - When price goes up, demand goes down
  - When price goes down, demand goes up
  - Ceteris Paribus- all things held constant or equal. “A Moment frozen in time.”



## CHAPTER 4

- Marginal Utility – The extra usefulness or satisfaction a person gets from acquiring or using one more unit of a product
- Diminishing Marginal Utility – The extra satisfaction we get from using additional quantities of the product begins to diminish



## WE ALL LOVE IN-N-OUT (TO AN EXTENT)

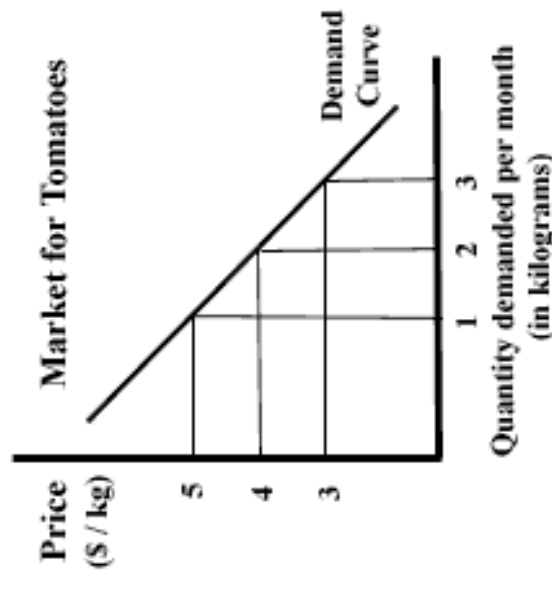
- Graph the Demand of In-N-Out
- You get the point...



## CHAPTER 4

- Change in Quantity Demanded (Qd)
  - There are two factors that affect quantity demanded: (graphical representation)
    - a movement **ALONG** the demand curve
- 1) The Income Effect- change in Qd because of a change in price that alters consumers' real income
  - Buy 6 albums at \$15 = \$90; price drops to \$10/album = \$60
  - \$30 “richer”

- 2) The Substitution Effect- change in Qd because of a change in the relative price of a product



## CHAPTER 4

- 6 Factors affecting demand
- 1) Consumer income- a rise in income will result in a general increase in demand
  - Demand curve will SHIFT outwards (to the right)
  - A decrease in income will result in a general decrease in demand (to the left)





## CHAPTER 4

### 2) Consumer tastes

- Trends, new products, seasonal trends, popularity

### 3) Substitutes-a change in price of related products can cause a change in demand

- Butter vs margarine

### 4) Complements-the use of one increases the use of the other

- Computers and software
- A change in price will change demand for both in the same direction



## CHAPTER 4

- 5) Change in expectations- expectations of a product in the future
- Iphone
  - Car-buying time
- 6) Number of consumers- affects the *market* demand curve (the sum of all *individual* demand curves)

The more consumers the greater demand (in general)

The fewer consumers the less demanded (in general)



## WARM UP #1

What is Diminishing Marginal Utility?


What is the relationship between price and quantity demanded?

What is Ceteris Paribus?

What are two factors that would have movement **ALONG** the demand curve?

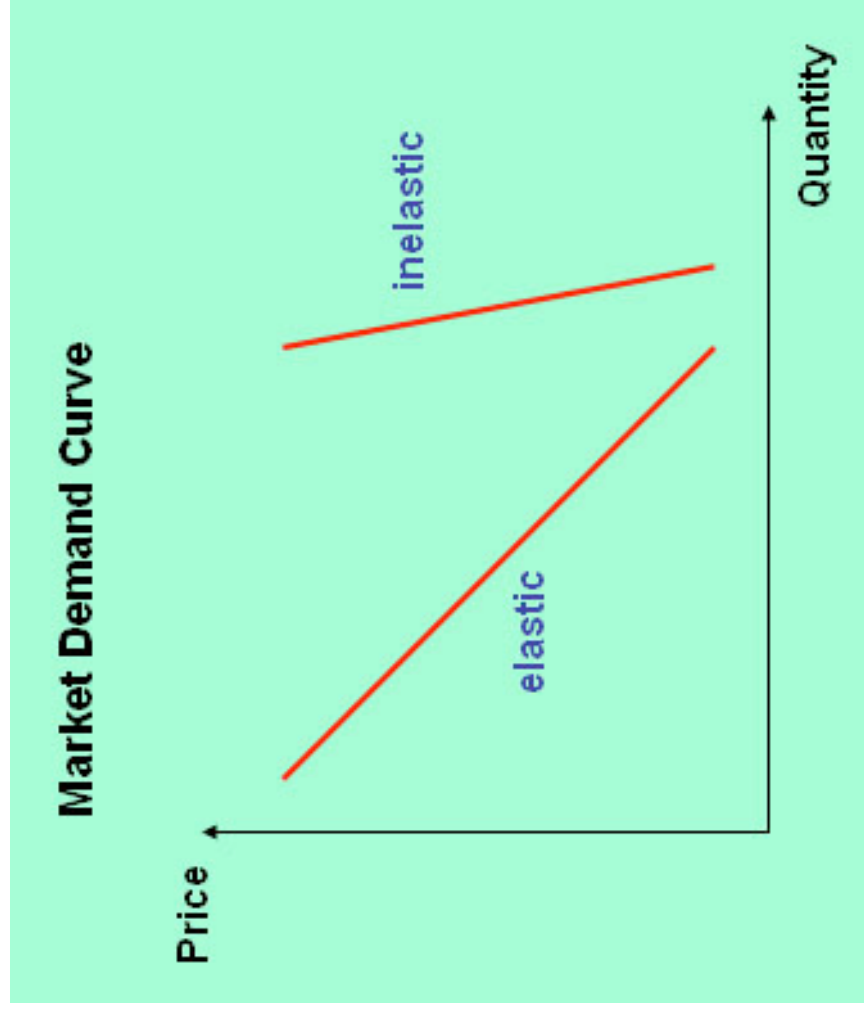
What are the (6) factors that **SHIFT** the demand curve?

Follow the demand schedule on the board and graph (label your graph **ENTIRELY**).

- **CEQ:** What is FEMA and what is their responsibility? How many are expected to be permanently displaced by Hurricane Harvey? What is the estimated economic cost of Hurricane Harvey?
- 

## CHAPTER 4

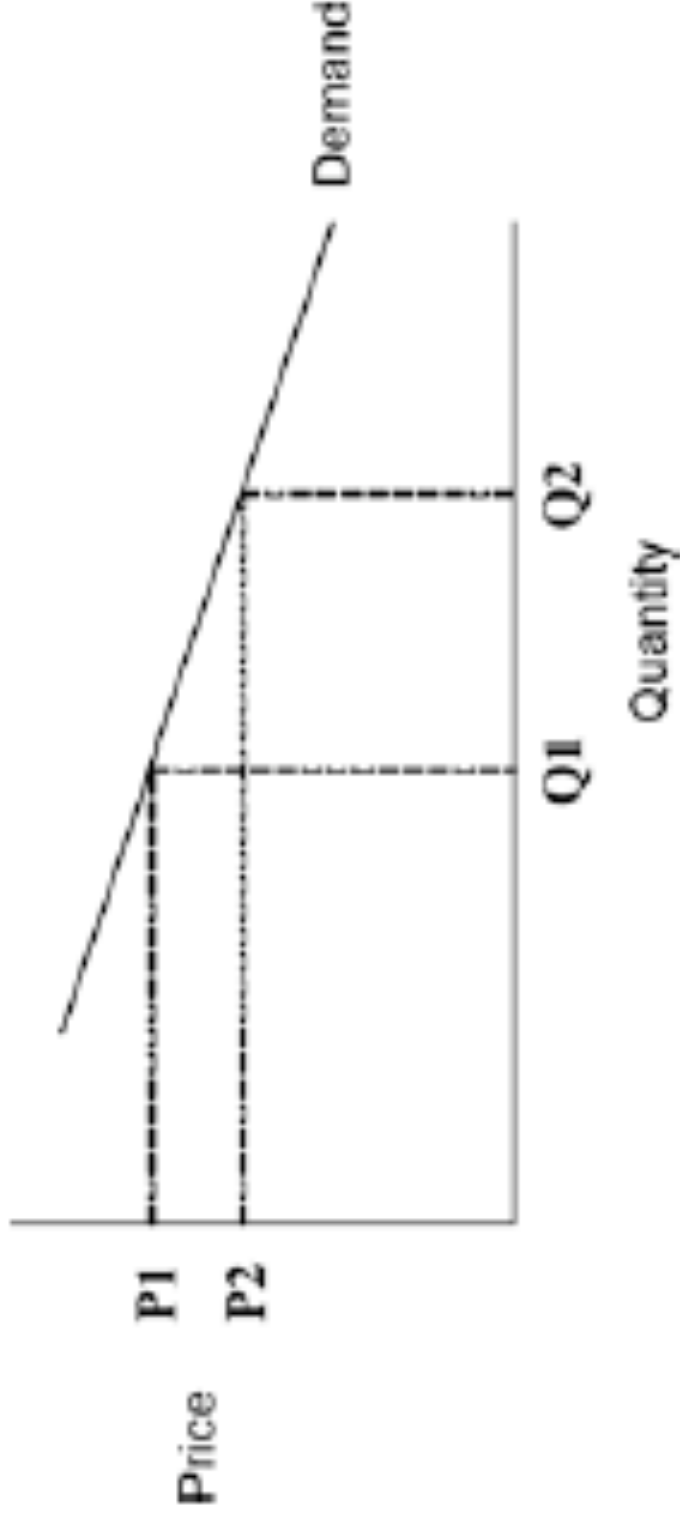
- Elasticity – A measure of responsiveness that tells us how a dependent variable such as quantity responds to a change in an independent variable such as price
- Demand Elasticity – The extent to which a change in price causes a change in the quantity demanded



## CHAPTER 4

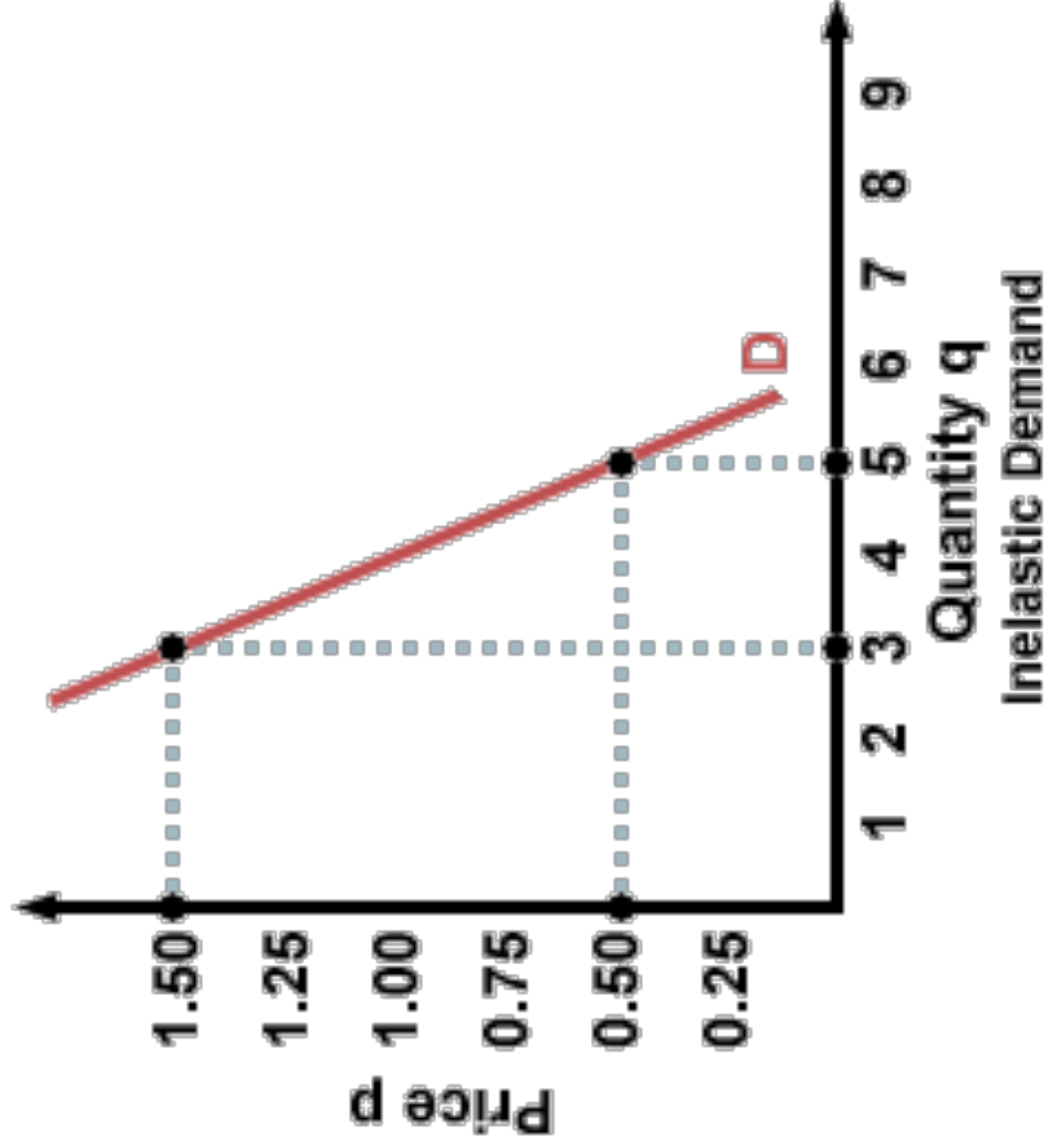
- Elastic Demand – When a given change in price causes a relatively larger change in quantity demanded

**Figure 1. Elastic demand**



## CHAPTER 4

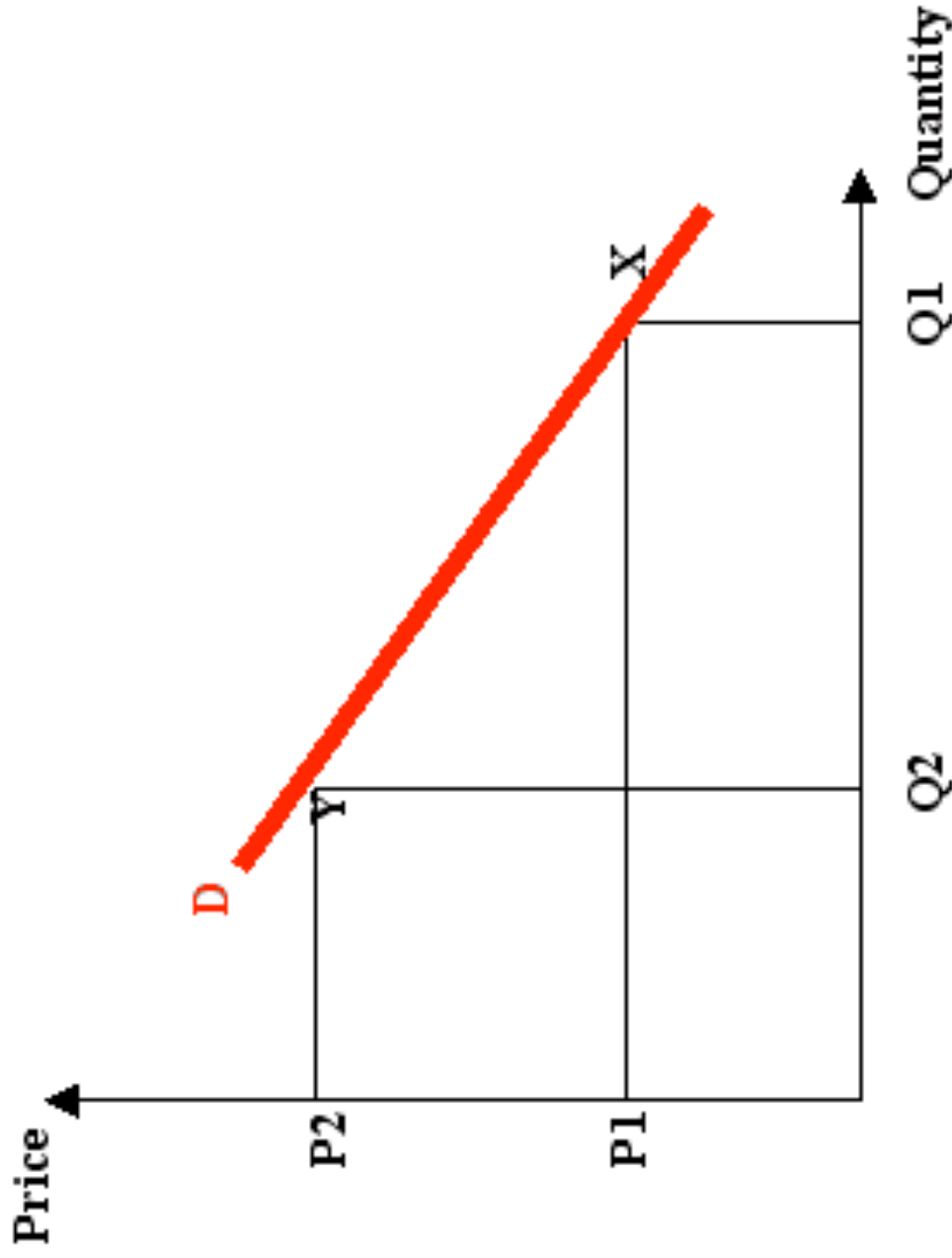
- Inelastic Demand – A given change in price causes a relatively smaller change in the quantity demanded



## CHAPTER 4

- Unit Elastic – a given change in price causes a proportional change in quantity demanded

DRAWING 10



## WARM UP #7

1. What is the economic definition of “Elasticity”
2. What does “Inelastic” mean?
3. Would a “Want” most likely be elastic or inelastic?  
How about a “Need”?
4. See the board and identify the “Elastic” line and the “Inelastic” line
5. What does “Unit Elastic” mean?
6. What are the two factors that cause movement  
ALONG the demand curve?
7. What are the six factors that cause the demand curve  
to shift?

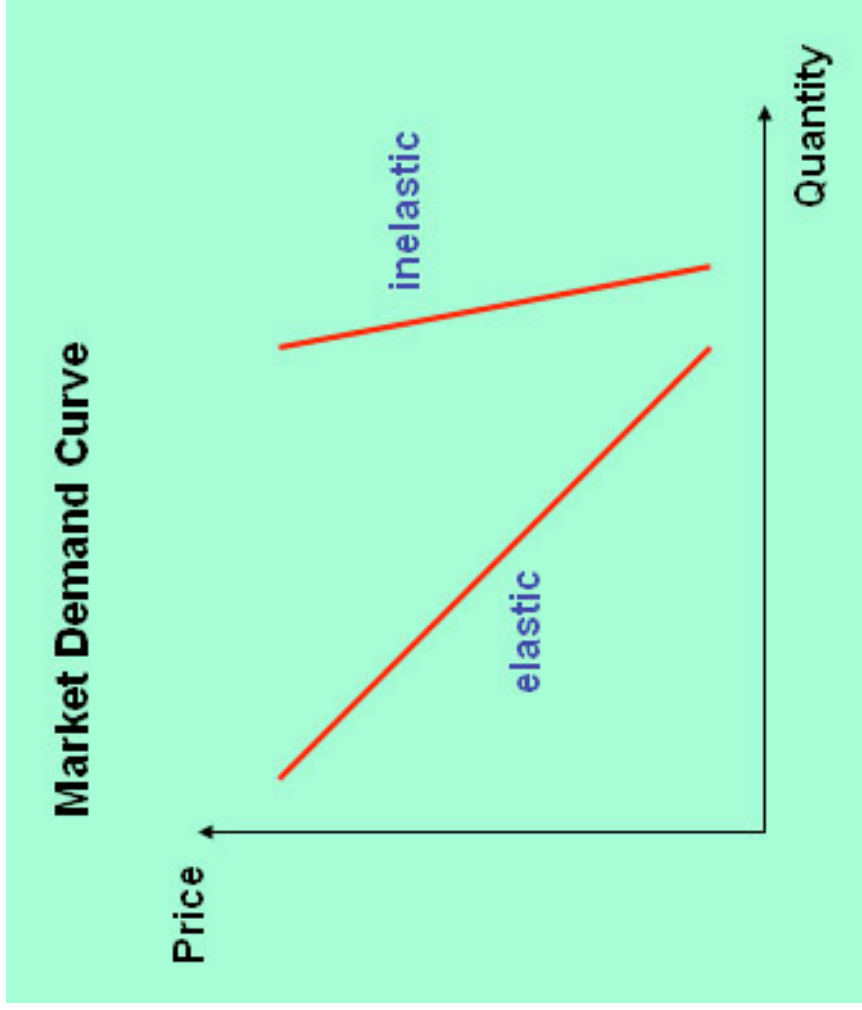




## CHAPTER 4

### • Factors affecting Elasticity of demand

- Availability of substitutes
- Luxury vs. necessity
- Can the purchase be delayed
- Portion of income needed to purchase



- All Content Created by DJ Cook

