

Examining Demand

ability
willingness

defn $\begin{cases} \text{quantity} \\ \text{various prices} \\ \text{given period of time} \end{cases}$

law of demand - GR - the QTY demanded varies inversely w price,
as long as other things do not change \sim ceteris paribus

WHY?

\rightarrow SUBSTITUTION EFFECT - idea of substitutes as prices \uparrow

\rightarrow INCOME EFFECT - paying more or less for the same amount
opens up / makes available income to
purchase more / less

demand schedule - portrays relationship betw $\begin{cases} \text{PRICE} \\ \text{QTY DEMANDED} \end{cases}$

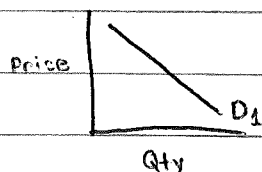
\rightarrow distinction betw (1) DEMAND

(2) QTY. DEMANDED

$\begin{cases} \text{individual vs. market} \\ \text{ONE RELATIONSHIP} \end{cases}$

SNAPSHOT determined by
time & price

\rightarrow demand curves - originate from demand schedules



Examining Supply

- Supply side of market / qty able/willing to sell

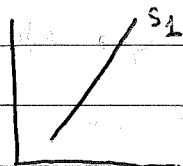
- positive relationship

↳ incentive to supply at higher prices / profit motive

Assumption = Costs do not increase to supply product

- GR - law of supply - qty. supplied \uparrow if price \uparrow , as long as other things do not change

- supply schedule



2 qty. supplied varies positively with price, so long as other things do not change

- Supply versus qty. supplied

↳ whole series of price and qty relationships

↳ refers to one relationship determined by price