



CHAPTER LEARNING OBJECTIVES

1. **THE STUDENTS WILL BE ABLE TO DEFINE AND EXPLAIN THE “LAW OF DEMAND ”**
2. **THE STUDENTS WILL BE ABLE TO IDENTIFY AND EXPLAIN THE 3 TYPES OF DEMAND**
3. **THE STUDENTS WILL BE ABLE TO EXPLAIN THE CONCEPT OF “ELASTICITY ” OF DEMAND**
4. **THE STUDENTS WILL BE ABLE TO CALCULATE THE ELASTICITY OF DEMAND FOR A GOOD**
5. **THE STUDENTS WILL BE ABLE TO DEFINE AND EXPLAIN THE “SUBSTITUTION AND INCOME EFFECTS ”**
6. **THE STUDENTS WILL BE ABLE TO EXPLAIN WHAT ECONOMISTS MEASURE CONSUMPTION BY THE AMOUNT OF GOODS PURCHASED RATHER THAT BY WHAT WAS PAID FOR THEM**
7. **THE STUDENTS WILL BE ABLE TO IDENTIFY AND EXPLAIN THE 3 FACTORS THAT EFFECT ELASTICITY**
8. **THE STUDENTS WILL BE ABLE TO IDENTIFY AND EXPLAIN THE 5 CHANGES OTHER THAN PRICE THAT HAVE AN EFFECT ON DEMAND**
9. **THE STUDENTS WILL BE ABLE TO DEFINE AND EXPLAIN WHAT “NORMAL AND INFERIOR GOODS ” ARE**
10. **THE STUDENTS WILL BE ABLE TO IDENTIFY AND EXPLAIN THE 2 MAJOR EFFECTS OF SHIFTS IN DEMAND**
11. **THE STUDENTS WILL BE ABLE TO READ AND EXPLAIN A DEMAND CURVE ILLUSTRATED IN GRAPHICAL FORMAT**
12. **IN ECONOMIC TERMS , STUDENTS WILL BE ABLE TO DEFINE A “MARKET ” AND ILLUSTRATE WITH EXAMPLES**

WHAT IS A “MARKET” ?



WHY DO MARKETS EXIST ?

WHAT TYPES OF MARKETS ARE THERE ?



WHAT IS “DEMAND” ?

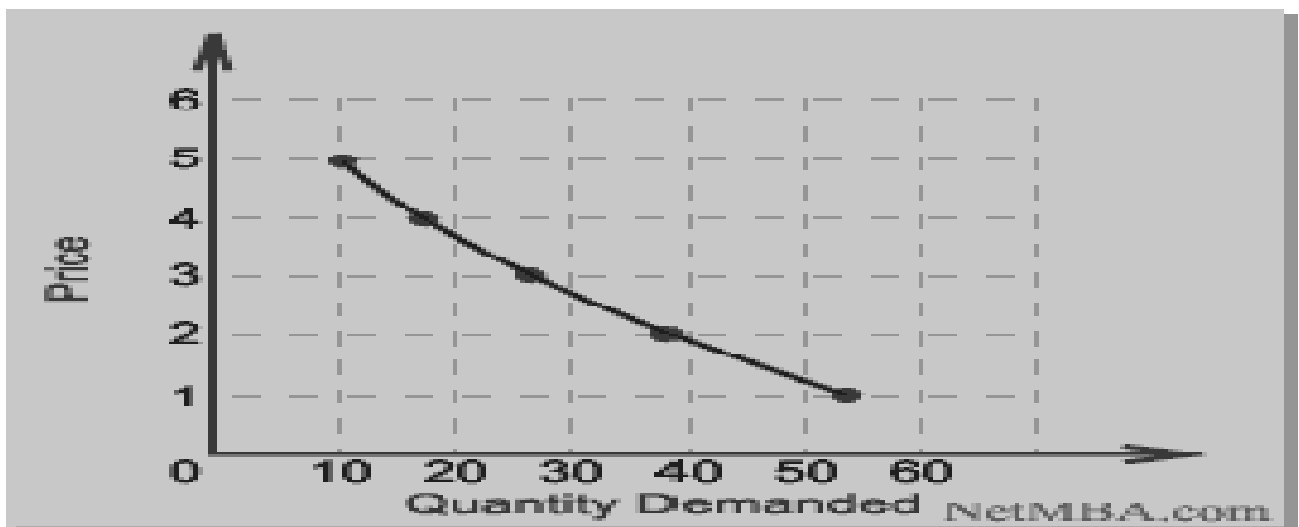
VIDEO ON THE “SUBJECTIVITY OF VALUE” - THE VALUE OF SOMETHING IS NOT DETERMINED BY THE OBJECT ITSELF . IT IS NOT A PRODUCT OF :

1. THE AMOUNT OF _____ USED TO MAKE THE OBJECT
2. THE _____ USED TO PRODUCE THE OBJECT

THINGS HAVE VALUE BECAUSE PEOPLE _____ THEM. THE MORE INTENSE THE _____ , THE MORE _____ THE GOOD.

THE 6 MOST COMMON THINGS THAT WILL EFFECT A CHANGE IN DEMAND :

1 >



WHAT IS THE CONCEPT OF “CETERIS PARIBUS” ?

WHAT IS THE “LAW OF DEMAND” ?

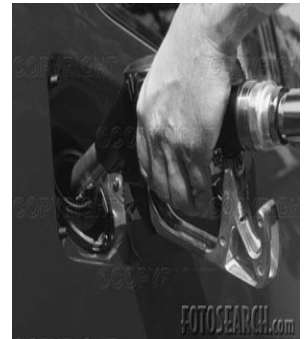
WHY DO ECONOMISTS MEASURE CONSUMPTION BY THE AMOUNT OF GOODS PURCHASED RATHER THAN BY WHAT WAS PAID FOR THEM ?

WHAT IS THE MEANING OF “ELASTICITY” OF DEMAND ?

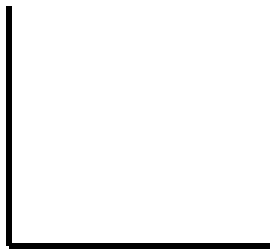
WHAT IS THE FORMULA FOR CALCULATING DEMAND ELASTICITY ?

DEMAND FOR GOODS AND SERVICES IS CLASSIFIED USING THE CONCEPT OF ELASTICITY AND ARE GIVEN ONE OF THREE LABELS :

1. “ELASTIC” -
2. “UNITARY ELASTIC” -
3. “INELASTIC” -



WHAT DOES A DEMAND CURVE LOOK LIKE FOR :



INELASTIC GOOD



**PERFECTLY INELASTIC
GOOD**



**PERFECTLY ELASTIC
GOOD**

3. A “ **PERFECTLY ELASTIC GOOD** ”?

WHAT ARE THE 3 FACTORS THAT EFFECT ELASTICITY ?

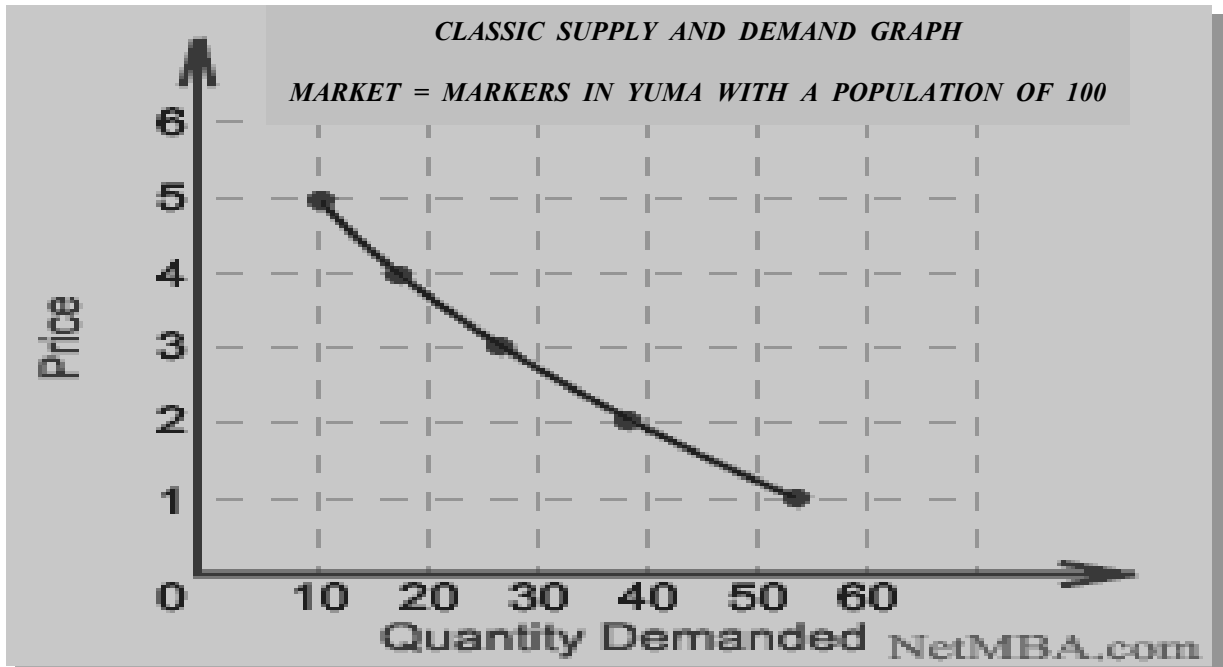
- 1.
- 2.



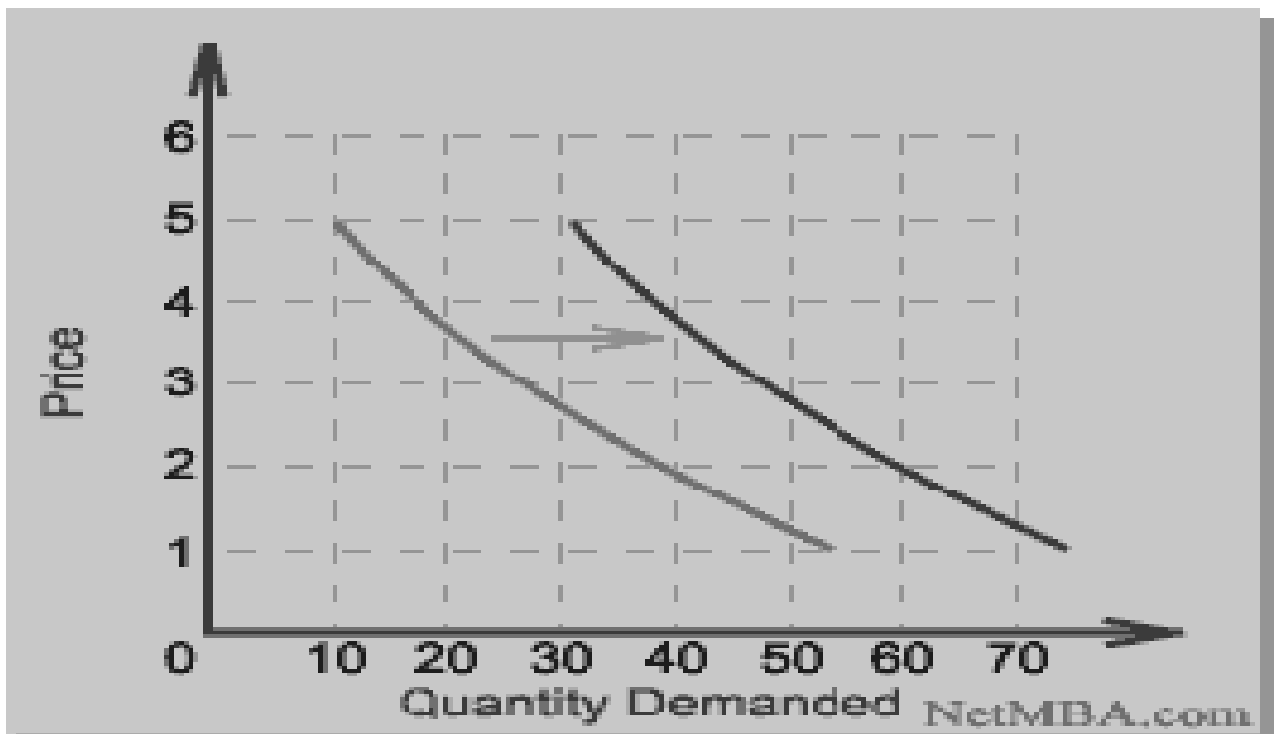
3.

ELASTICITY EXAMPLES :

1. **AN INCREASE IN THE PRICE OF GASOLINE FROM \$ 2.20 TO \$ 3.00 PER GALLON RESULTS IN A 1 % (.01) DECREASE IN SALES :**
2. **THE PRICE OF A HAIR CUT INCREASES FROM \$ 7.00 TO \$ 7.84 WHICH RESULTS IN A DECREASE IN SALES FROM 40 TO 27 PER DAY :**



WHAT DOES A SHIFT IN THE DEMAND CURVE LOOK LIKE ?



WHAT IS THE DIFFERENCE BETWEEN A CHANGE IN THE “ QUANTITY DEMANDED ” AND A “ CHANGE IN DEMAND ” ?

1.

2.

WHAT IS THE DIFFERENCE BETWEEN A “ SHIFT ALONG A DEMAND CURVE ” AND A “ SHIFT OF A DEMAND CURVE ” ?

2 > “ SUBSTITUTION EFFECT ” -

3 > “ INCOME EFFECT ” -

WHAT ARE “ NORMAL GOODS ” ? WHAT IS AN EXAMPLE OF A NORMAL GOOD ?

WHAT ARE “ INFERIOR GOODS ” ? WHAT IS AN EXAMPLE OF AN INFERIOR GOOD ?

4 >

5 >

6 >

WHAT ARE THE 2 MAJOR EFFECTS OF SHIFTS IN DEMAND ?

1.

2.

A series of empty L-shaped boxes for writing answers, arranged vertically on the right side of the page. There are six such boxes, each consisting of a vertical line on the left and a horizontal line at the bottom, forming an open corner. They are positioned to the right of the corresponding questions.

DEMAND SHIFT EXAMPLES :

