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**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” ?

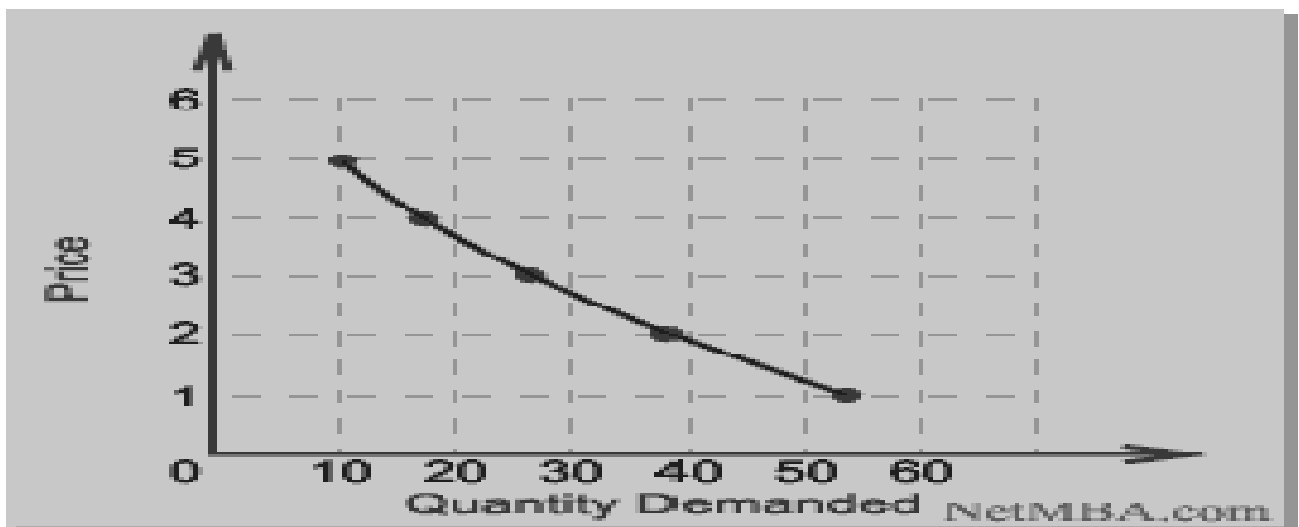
\*\*\*\*\*  
VIDEO ON THE “SUBJECTIVITY OF VALUE” - THE VALUE OF SOMETHING IS NOT DETERMINED BY THE OBJECT ITSELF . IT IS NOT A PRODUCT OF :

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.

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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” ?

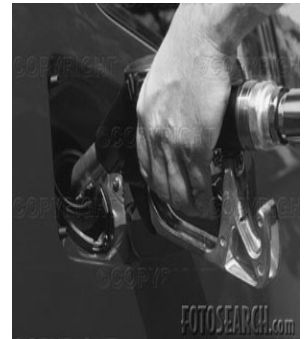
**WHY DO ECONOMISTS MEASURE CONSUMPTION BY THE AMOUNT OF GOODS PURCHASED RATHER THAN BY WHAT WAS PAID FOR THEM ?**

**WHAT IS THE MEANING OF “ELASTICITY” OF DEMAND ?**

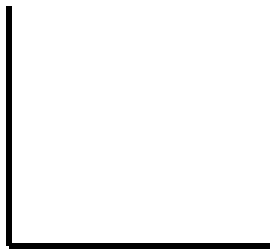
**WHAT IS THE FORMULA FOR CALCULATING DEMAND ELASTICITY ?**

**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 ?**

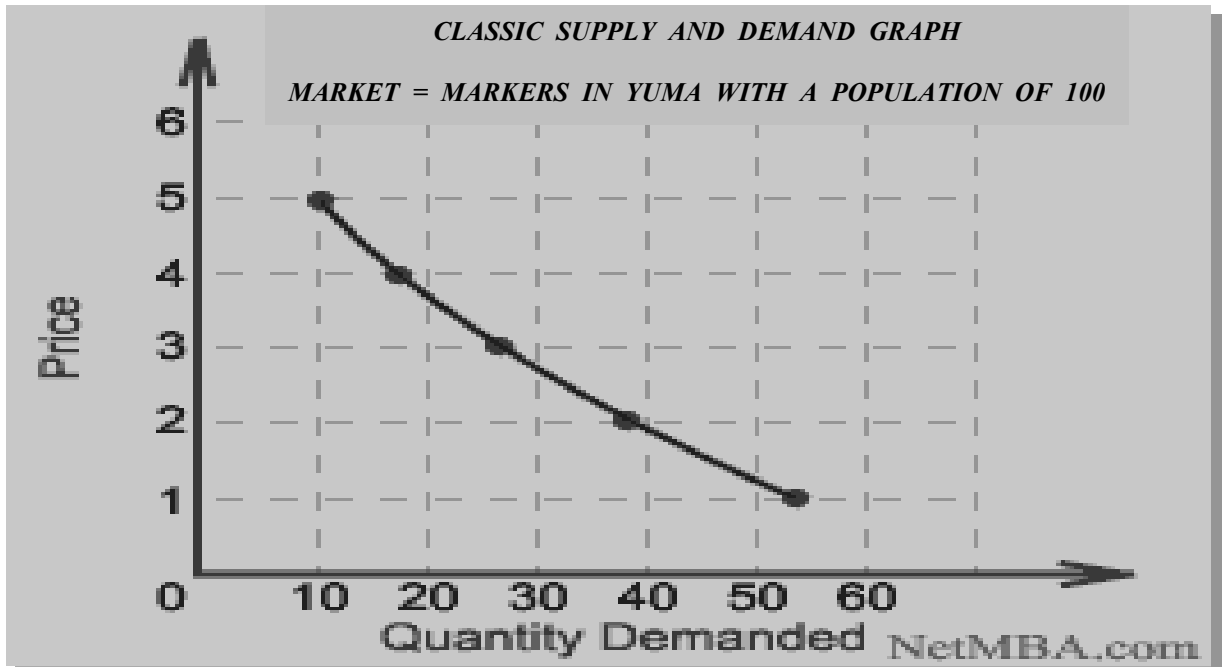
- 1.
- 2.



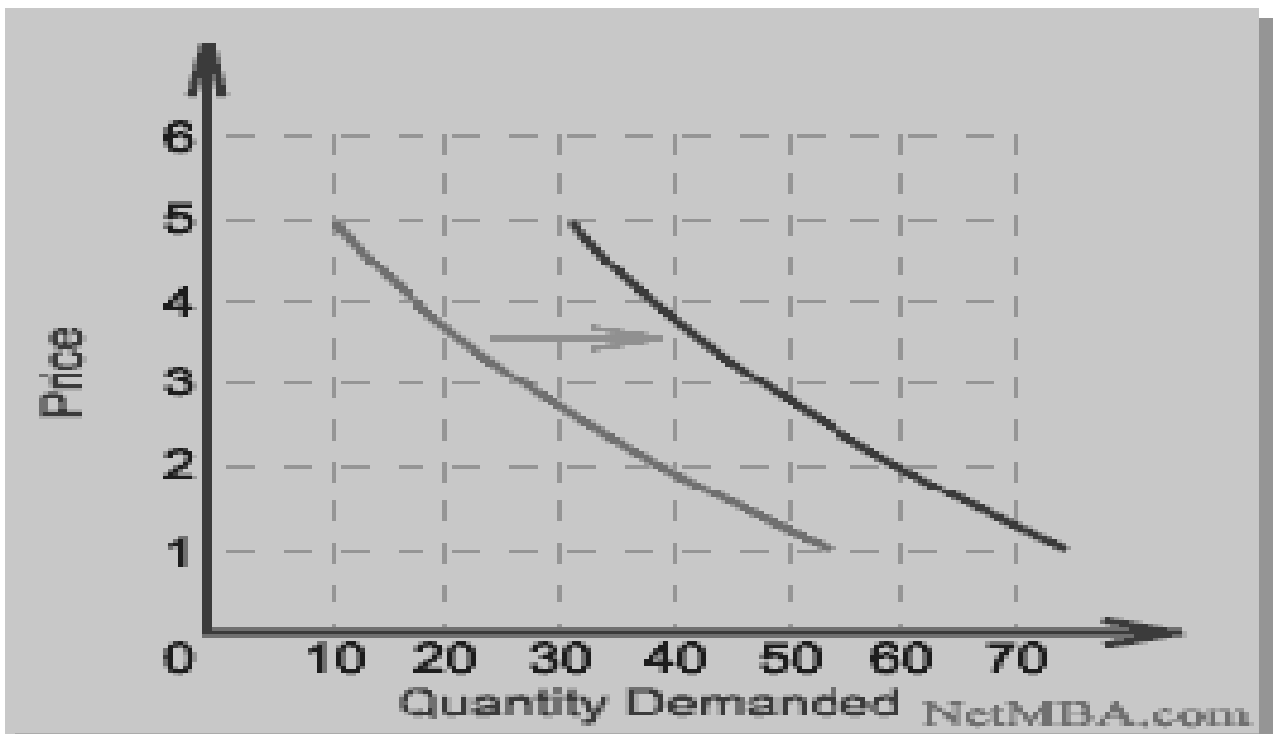
3.

**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.

The form consists of five vertically stacked L-shaped boxes. Each box is composed of a vertical line on the left and a horizontal line at the bottom, meeting at a right-angle corner. These boxes are positioned to the right of the text questions, providing space for students to draw supply and demand curves, shifts, or other economic diagrams.

***DEMAND SHIFT EXAMPLES :***

