



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” ?

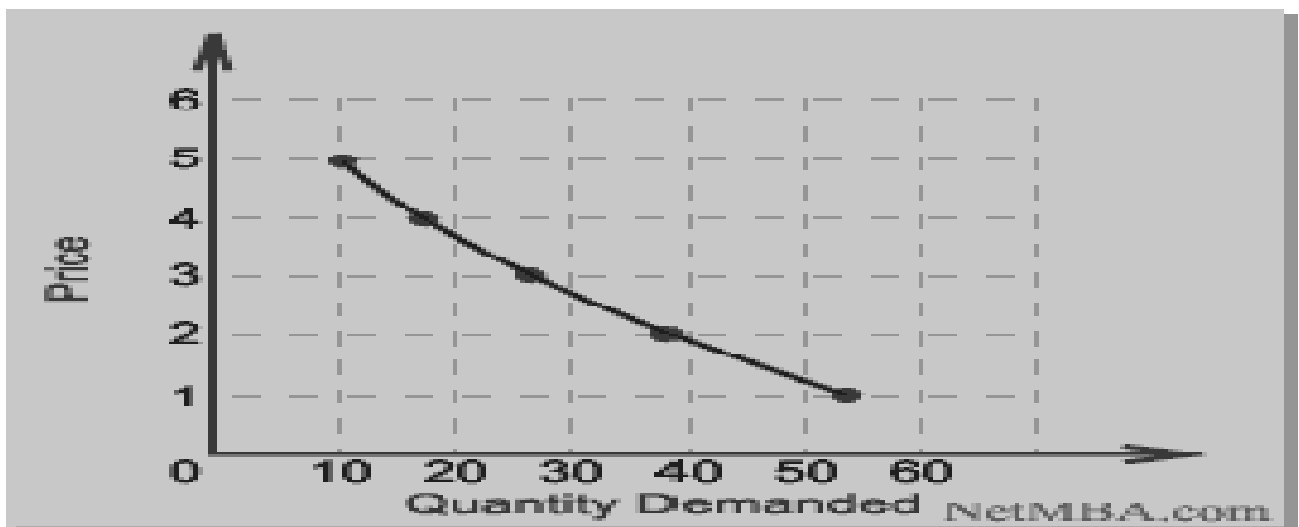
VIDEO ON THE “SUBJECTIVITY OF VALUE” - THE VALUE OF SOMETHING IS NOT DETERMINED BY THE OBJECT ITSELF . IT IS NOT A PRODUCT OF :

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” ?

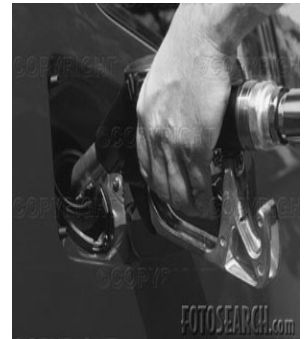
WHY DO ECONOMISTS MEASURE CONSUMPTION BY THE AMOUNT OF GOODS PURCHASED RATHER THAN BY WHAT WAS PAID FOR THEM ?

WHAT IS THE MEANING OF “ELASTICITY” OF DEMAND ?

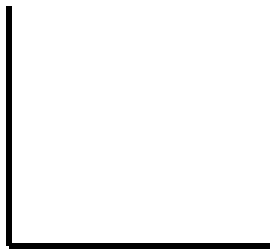
WHAT IS THE FORMULA FOR CALCULATING DEMAND ELASTICITY ?

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 ?

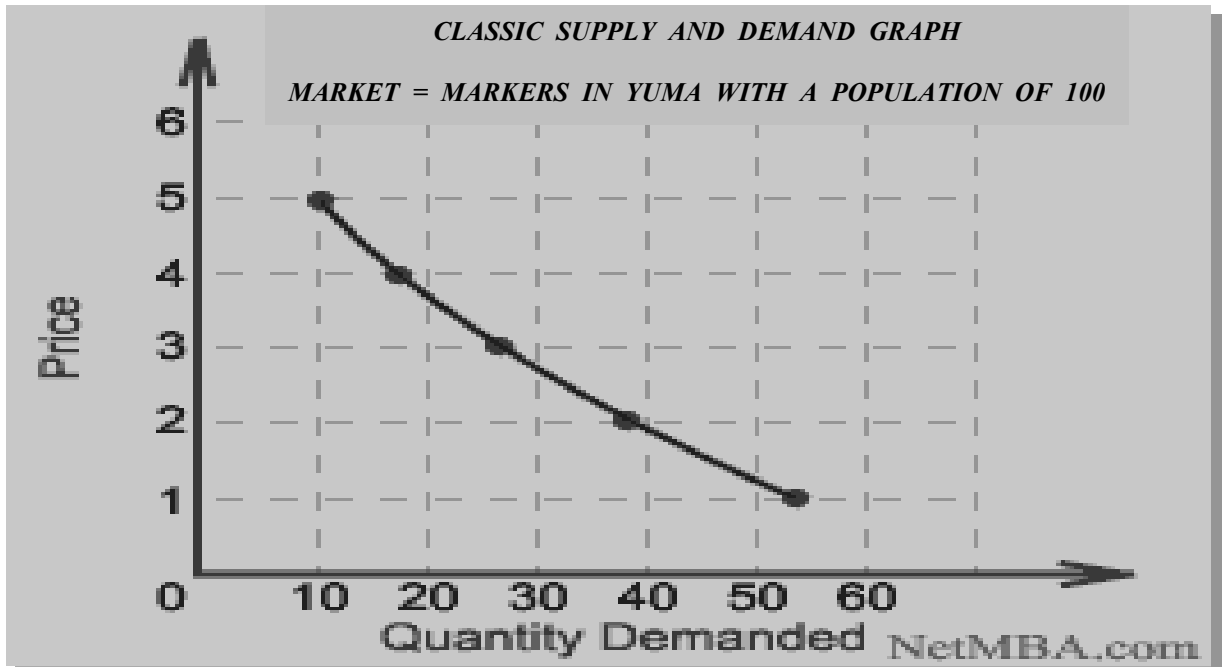
- 1.
- 2.



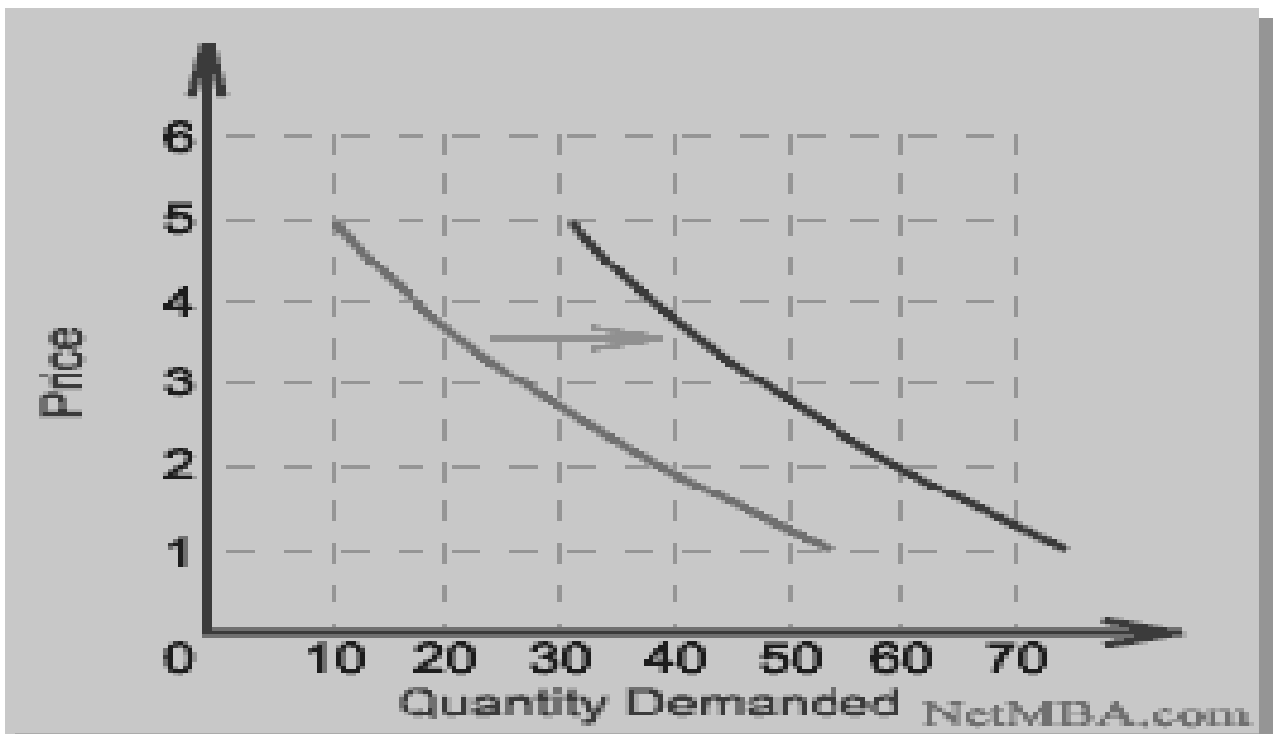
3.

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.

The image contains a series of empty L-shaped boxes, which are typically used for drawing graphs or diagrams. There are four such boxes arranged vertically on the right side of the page, corresponding to the questions above them.

DEMAND SHIFT EXAMPLES :

