

### Demand Curve and Law

**Law of Demand** "Other things equal, when the price of a good rises, the quantity demanded of the good falls, and when the price falls, the quantity demanded rises."

**Demand Curve** a graph of the relationship between the price of a good (P) and the quantity demanded (Q).

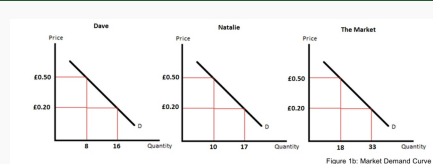
### Movement in the Demand Curve

A movement along the demand curve is called "**a change in quantity demanded.**" A movement is caused in response to **a change in the price of the good itself.**

### The Market Demand Curve

is derived by summing the quantities demanded at each price.

### Market Demand Curve



### Types of Goods

a. **Normal Good** a good for which an increase in income leads to an increase in demand.

b. **Inferior Good** a good for which an increase in income leads to a decrease in demand.

c. **Substitute Good** two goods for which an increase in the price of one leads to an increase in the demand for the other.

- An increase in the price of a substitute product, causes a rightward shift.

d. **Complement Good** two goods for which an increase in the price of one leads to a decrease in the demand for the other.

- An increase in the price of complementary products, causes a leftward shift.

### Relationship between Price & Quantity Demanded

- Prices and quantity demanded are inversely proportional.

- The curve is downward sloping as a result of the substitution and income effect.

- A price increase would reduce the quantity demanded because it reduces purchasing power.

### Shift in the Demand Curve

A shift in the curve is called "**a change in demand.**" A shift on the demand curve could occur in response to:

1. Change in income

- An increase in income would cause an increase in demand for normal goods (rightward shift) and a decrease in demand for inferior goods (leftward shift).

2. Change in prices of complementary products and substitute products.

3. Change in tastes and preferences.

4. Change in expectations.

### Supply Curve and Law

**Law of Supply** "the quantity supplied of a good rises when the price of the good rises."

**Supply Curve** a graph of the relationship between the price of a good (P) and the quantity supplied (S).

### Relationship between Price & Quantity Supplied

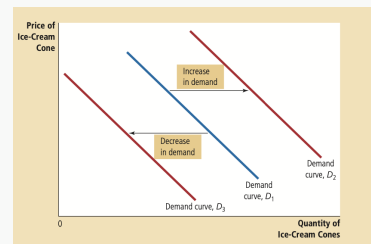
- The supply curve is **upward sloping.**

- Shows the relationship between prices and quantities supplied.

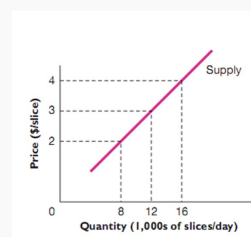
- Prices and quantity supply are **directly proportional** (the price increases the quantity supplied also increases).

### Demand Curve

### Shift in the Demand Curve Ref.



### Supply Curve Ref.



### Movement in the Supply Curve

A movement along the supply curve is called "**a change in quantity supplied.**" A movement is caused in response to **a change in price of the good itself.**

### Shift in the Supply Curve

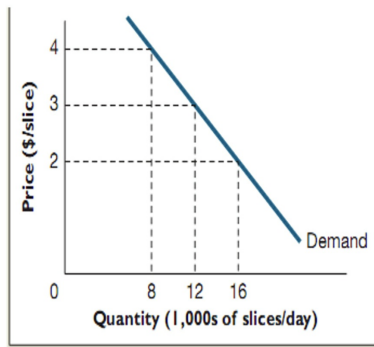
A shift in the curve is called "**a change in supply.**" A shift on the supply curve could occur in response to:

1. Technology

2. Input Prices (Materials, Labour, and Overhead).

3. Government Regulations

4. Mother Nature



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