LAW OF DEMAND

Demand: is the _____________ and ______________ of consumers to buy a good or service.

Desire without ability ___________ constitute demand.

Astin Martin AM-RB 1: I have the desire but not the ability to buy one.

McDonalds Happy Meal: I have the ability but not the desire.

Demand Schedule: is a table or schedule that shows the _______________________________________, of a good or service, _____________________ that might prevail in the market at a point in time.

COOKIE DEMAND

DEMAND

Quantity of cookies demanded	Price
25	$ 0.25
20	$ 0.50
15	$ 0.75
10	$ 1.00
5	$ 1.25

Demand Curve: is the graphical ______________________________ ______________________________. It contains the __________________________ but in a different format.

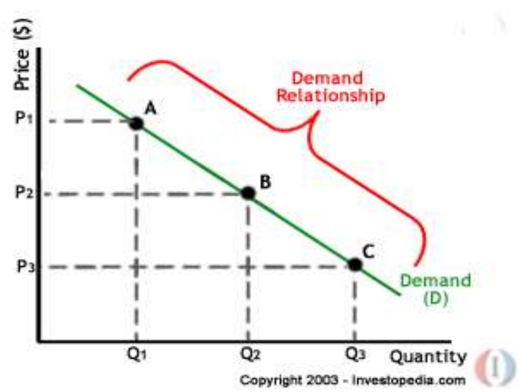
Law of Demand: states that the quantity demanded of a good or service varies _____________ with its price.

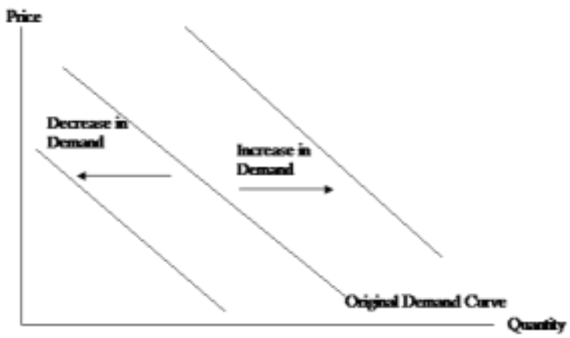
Inverse means ____________.

When price goes ______ the quantity demanded ___________.

When price goes ______ the quantity demanded ___________.

Change in Quantity Demanded: this is a ___________ the demand curve and shows a change in the quantity purchased in response to a change in price. This is simply a restatement of the law of demand.





Change in Demand: occurs when people are now willing to buy different amounts of a product at the same prices as before. This is shown as a _________________, not a movement along the curve.

An increase in demand is a __________________.

A decrease in demand is a __________________.

There are 5 factors that can shift the demand curve to the right or left. These factors have nothing to do with the price of the product.

1. **Tastes & Preferences**: this reflects our likes and dislikes. Advertising, news reports, fashion trends, fads, seasonal changes as well as other things can affect our tastes.

2. **Income of Consumers**: An ____________ in income allows consumers to buy _______ of most goods and services, so the curve will shift to the ________. A ___________ in income would cause a ___________ in demand and therefore a _____________ shift of the curve.

3. **Related Goods**: A _____________________________ of a related good changes demand for the original good.

   Substitutes: products that can be used ____________________ other products. When the price of one good goes ______, the demand for the substitute will also go ___, and vice versa.

   Examples include Coke vs. Pepsi or Coffee vs. Tea.

   Complements: are products that are _______________. When the price of 1 good goes ___, the demand for the complement will go _______, and vice versa.

   Examples include milk & cereal, cameras & film or peanut butter & jelly.

4. **Expectation of Change**: demand may change because of the expectation of some _____________. If I expect prices to rise in a few weeks, I might buy more now. If I think I might lose my job soon, I'll begin to spend less now.

5. **Size or Demographic of Population**: more buyers in the market will lead to an increase in demand. Fewer buyers will lead to a decrease in demand.

   Here are some factors that might affect the number of buyers.
   - Population changes
   - Immigration trends
   - Medical advancements
   - Trade agreements like NAFTA