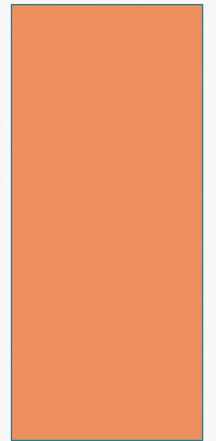


# ECONOMICS 40S

## CHAPTER 2 REVIEW



# TERMS

- The relationship between the various possible prices of a product and the quantities of that product consumers are willing to purchase

DEMAND

- The amount of a product consumers are willing to purchase at each price

QUANTITY DEMANDED

- States that there is an inverse relationship between a product's quantity demanded and its price

# LAW OF DEMAND

- A table that shows possible combinations of prices and quantities demanded of a product



# DEMAND SCHEDULE

- A graph that expresses possible combinations of prices and quantities demanded of a product

# DEMAND CURVE

- Factors that can cause an increase or a decrease in a product's demand

# DEMAND FACTOR

# DEMAND FACTORS

1. Number of buyers
2. Income
  1. Normal Products—products whose demand changes directly with income
  2. Inferior Products—as income rises consumption of these products falls
3. Prices of Other Products
  1. Substitute Products—can be consumed in place of one another
  2. Complementary Products—products are consumed together

# DEMAND FACTORS

4. Consumer Preferences
5. Consumer Expectations

# CHANGE IN QUANTITY DEMANDED VS CHANGE IN DEMAND

- Change in Demand—causes a shift of the entire demand curve
  - To the left for a decrease
  - To the right for an increase
- Change in Quantity Demanded—the effect of a price change on quantity demanded—a movement along the demand curve
- Practice Questions Page 35 2.1 #1, 2, 3



- The relationship between the various possible prices of a product and the quantities of the products that businesses are willing to supply

SUPPLY

- The amount of a product business are willing to supply at each price

QUANTITY SUPPLIED

- States that there is a direct relationship between a product's quantity supplied and its price

# LAW OF SUPPLY

- A table that shows possible combinations of prices and quantities supplied of a product

# SUPPLY SCHEDULE



- A graph that expresses possible combinations of prices and quantities supplied of a product

# SUPPLY CURVE

- The effect of a price change on quantity supplied

# CHANGE IN QUANTITY SUPPLIED

- Factors that can cause an increase or a decrease in a product's supply

# SUPPLY FACTORS

# SUPPLY FACTORS

1. Number of producers
2. Resource Prices
3. State of Technology
4. Changes in Nature
5. Prices of Related Products
6. Producer Expectations

# CHANGE IN QUANTITY SUPPLIED VS CHANGE IN SUPPLY

- An increase or decrease in quantity supplied is the effect of a change in a product's price and is illustrated by a movement along the supply curve
- A change in supply is caused by a change in a supply factor and is shown by a shift in the supply curve



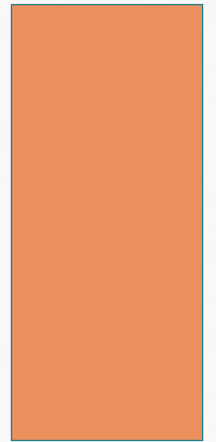
- The stable point at which demand and supply curves intersect

# MARKET EQUILIBRIUM



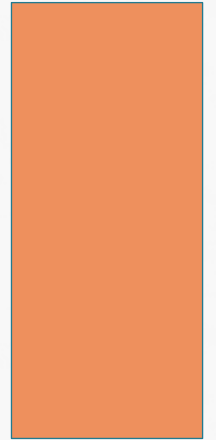
- An **excess of quantity supplied** over **quantity demanded**

SURPLUS



- An **excess of quantity demanded** over **quantity supplied**

SHORTAGE



- States that as a consumer purchases more units of a particular product in a given time period, that consumer's extra satisfaction from each additional unit falls

# LAW OF DIMINISHING MARGINAL UTILITY

