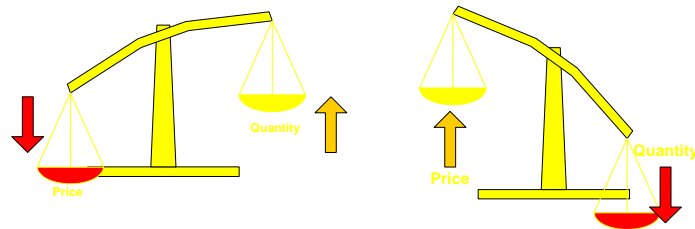


Factors of Demand Definitions and Relationships

- **Supply**- The relationship of price(s) to the quantities of goods or services sellers are willing to offer for sale at any given point in time.
- **Demand**- The relationship of price(s) to the quantities of goods or services buyers are willing to purchase at any given point in time.
 - Sellers – Offer
 - Buyers – Purchase

Law of Demand

- The quantity demanded of a good is higher at lower prices than will be demanded at higher prices.
- **INVERSE** relationship between price and quantity.



Factors that Impact Demand

- Preferences
 - The strength of individual preference is described by *Utility*
 - **UTILITY**: the satisfaction one receives from the consumption, use or ownership of a good or service (measured in utils).
- Substitute Products and Services
 - The change in the mix of goods purchased as a result of increasing or decreasing prices.
- Complementary Products/Services
 - Products that are used together
 - What relationship might be drawn?
- Income
 - As the price of a product changes, your buying power changes as well.
 - A reason for the inverse relationship between demand and price. As price moves up, your buying power declines and the quantity demanded goes down as a result.
- As income goes up, preference for certain goods changes...
 - **Normal Goods**
 - Goods for which demand increases as income increases, e.g., hamburger ↻ steak.
 - **Inferior Goods**
 - Goods for which demand decreases as income increases.

Summary

- Law of Demand
 - Price↑ Quantity↓ Price ↓ Quantity ↑
- Normal Goods
 - Income ↑ Demand↑
- Inferior Goods
 - Income↑ Demand↓
- Changing Attitudes
 - Attitude↑ Demand↑
- Substitute Products
 - Price↑ Demand for Original ↑
- Complementary Products
 - Price↑ Demand for Original ↓

Demand Curve

