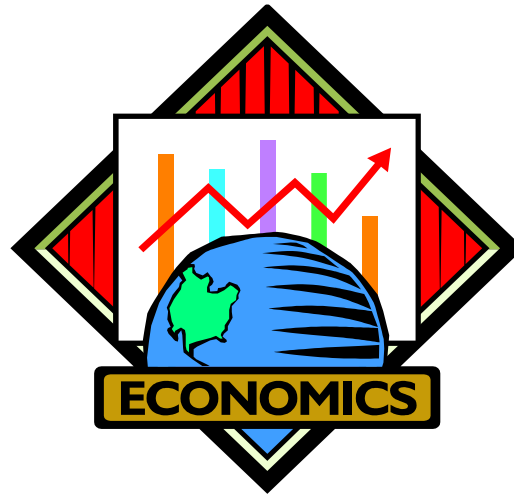


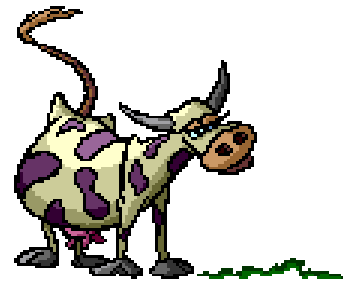
CHAPTER 4

Demand

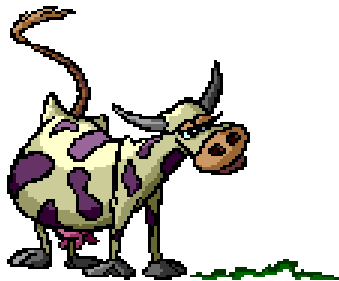


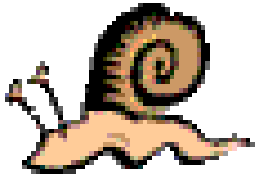


AN INTRODUCTION TO DEMAND



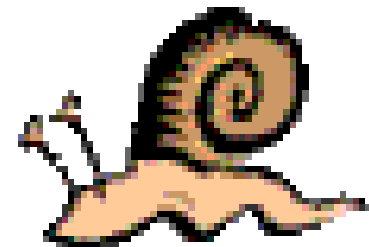
- **Demand is the desire, ability, and willingness to buy a product.**
- **An individual demand curve illustrates how the quantity that a person will demand varies depending on the price of a good or service.**





THE LAW OF DEMAND

- **The Law of Demand states that the quantity demanded of a good or service varies inversely with its price.**
- **When price goes up, the quantity demanded goes down.**
- **When price goes down, the quantity demanded goes up.**

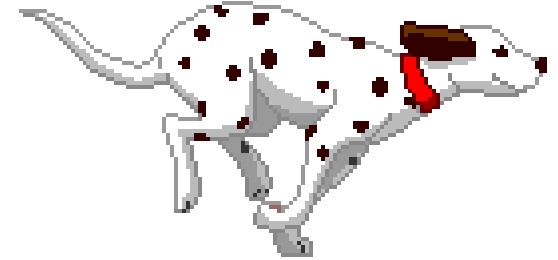
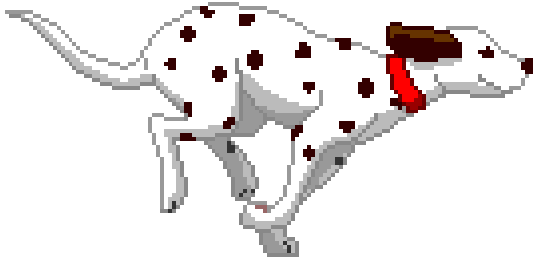




**South Carolina
Governor Henry McMaster**

THE LAW OF DEMAND

(continued)

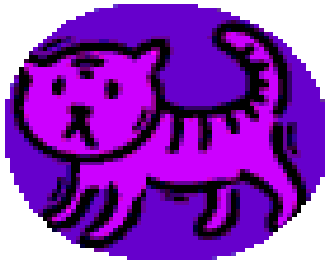


- **A market demand curve illustrates how the quantity that all interested persons (*the market*) will demand varies depending on the price of a good or service.**



Senator Lindsey Graham

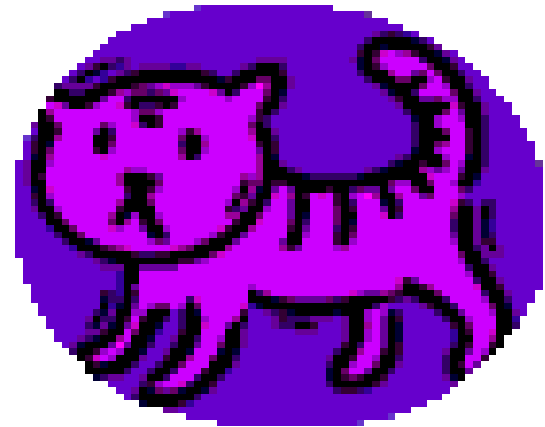




DEMAND AND MARGINAL UTILITY



- **Marginal utility is the extra usefulness or satisfaction a person receives from getting or using one more unit of a product.**



DEMAND AND MARGINAL UTILITY



(continued)



- **The principle of diminishing marginal utility states that the satisfaction we gain from buying a product lessens as we buy more of the same product.**



CHANGE IN THE QUANTITY DEMANDED

- **The change in quantity demanded shows a change in the amount of a product purchased when there is a change in price.**





John Roberts
Chief Justice of the
Supreme Court



CHANGE IN THE QUANTITY DEMANDED

(continued)



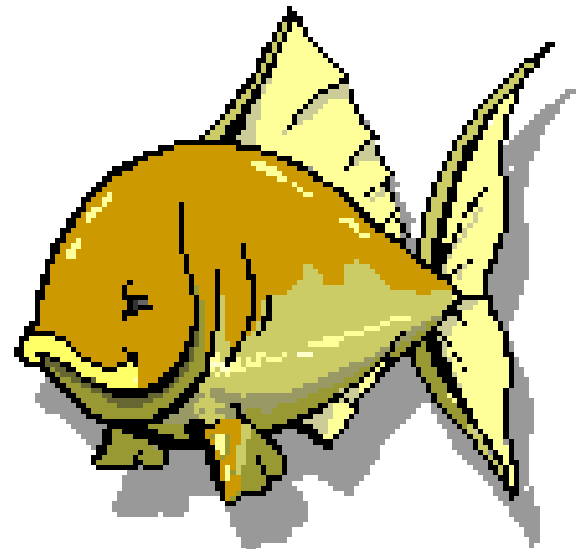
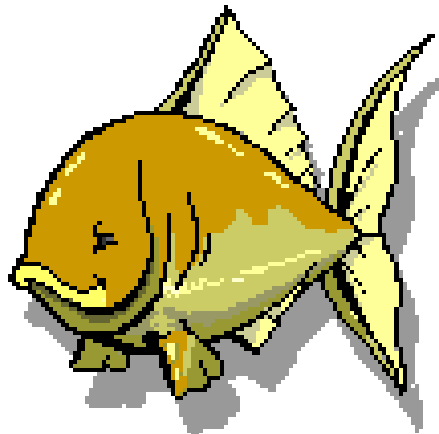
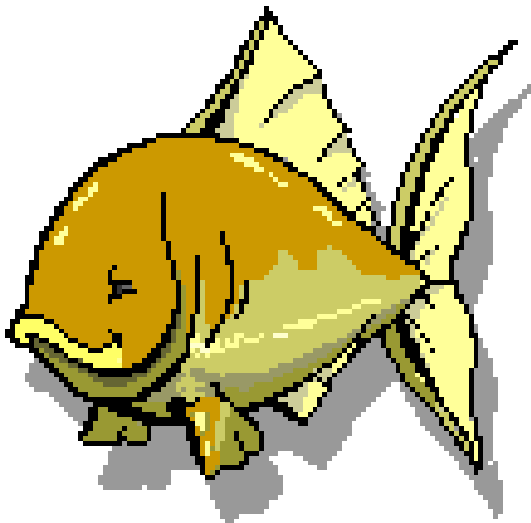
- The *income effect* means that as prices drop, consumers are left with extra real income.
- The *substitution effect* means that price can cause consumers to substitute one product with another similar but cheaper item.



Representative Jeff Duncan
Third Congressional District of South Carolina

CHANGE IN DEMAND

- A *change in demand* is when people buy different amounts of the product at the same prices.



CHANGE IN DEMAND

(continued)

- **A *change in demand* can be caused by a change in income, tastes, a price change in a related product (either because it is a substitute or complement), consumer expectations, and the number of buyers.**

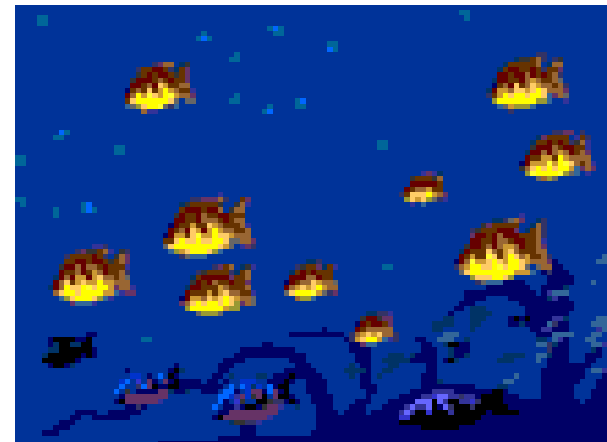
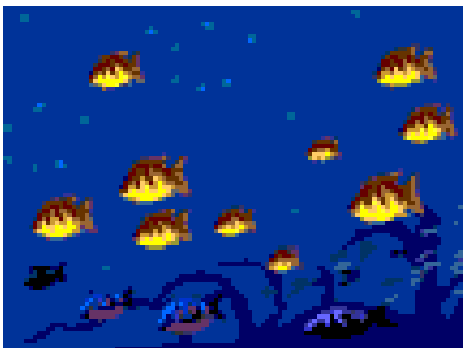


**Mayor Terence Roberts
of Anderson**



DEMAND ELASTICITY

- Elasticity measures how sensitive consumers are to price changes.
- Demand is elastic when a change in price causes a large change in demand.



DEMAND ELASTICITY



(continued)



- *Demand is inelastic* when a change in price causes a *small change* in demand.
- *Demand is unit elastic* when a change in price causes a *proportional change* in demand.



Senator Timothy Scott



DEMAND IS ELASTIC IF THE
ANSWER TO THE FOLLOWING
QUESTIONS ARE “YES.”



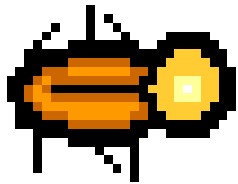
- ***Can the purchase be delayed?***

Some purchases cannot be delayed, regardless of price changes.

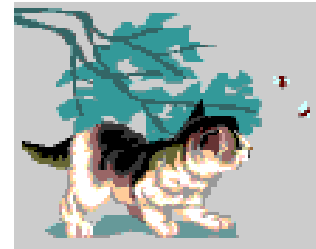
- ***Are adequate substitutions available?***

Price changes can cause consumers to substitute one product for a similar product.

DEMAND IS ELASTIC IF THE
ANSWER TO THE FOLLOWING
QUESTIONS ARE “YES.”

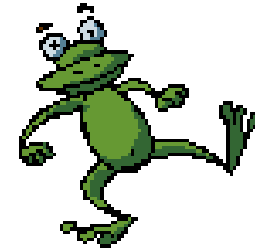
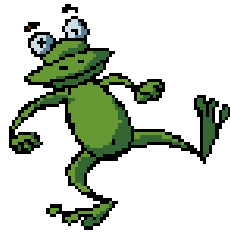


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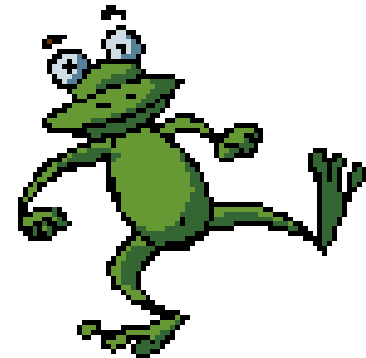
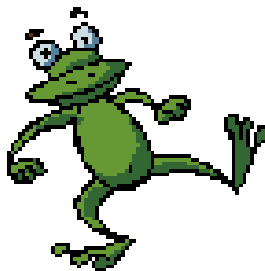


- ***Does the purchase use a large portion of income?***

Demand elasticity can increase when a product commands a large portion of a consumer's income.



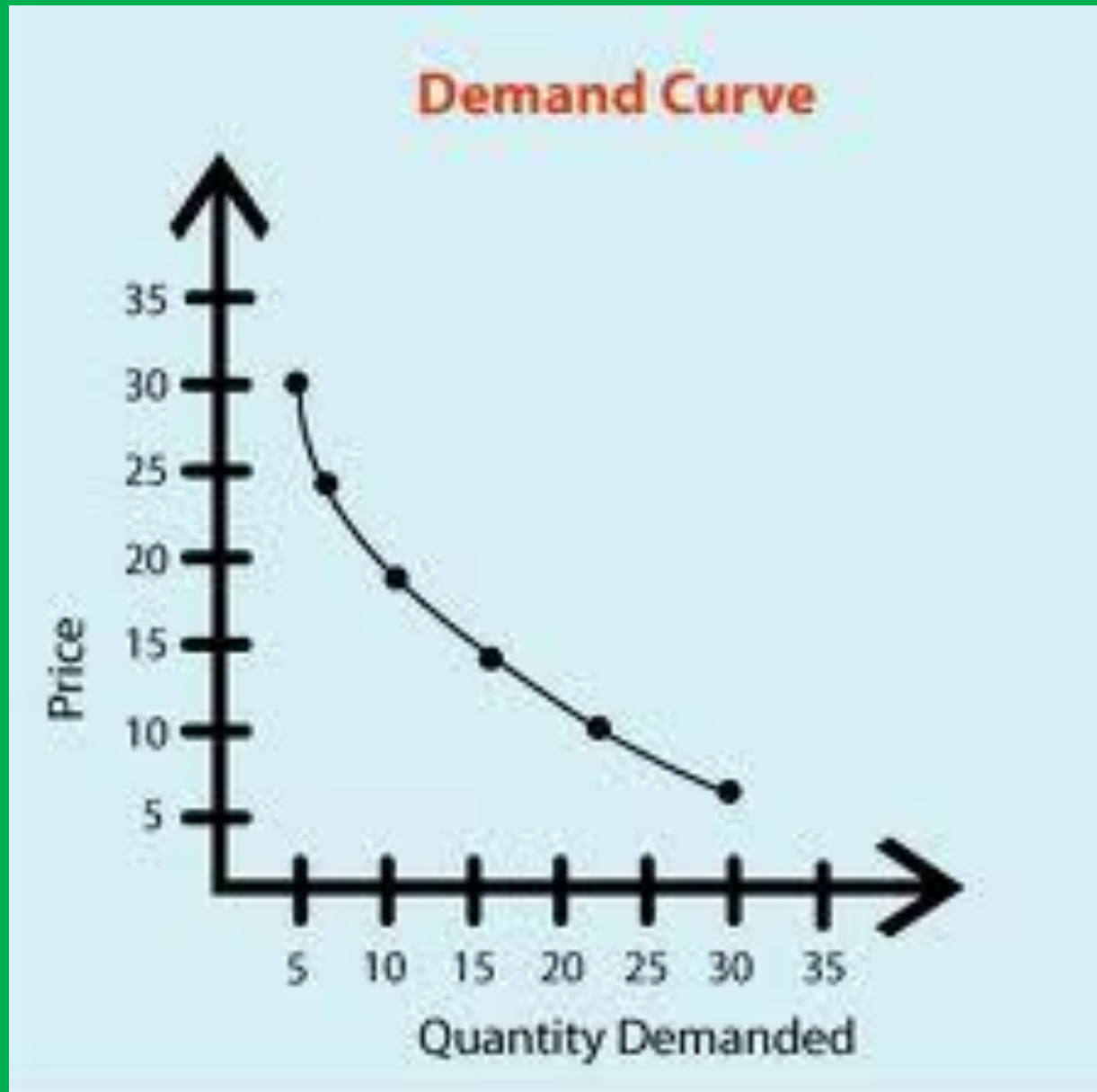
A Change in Quantity Demanded



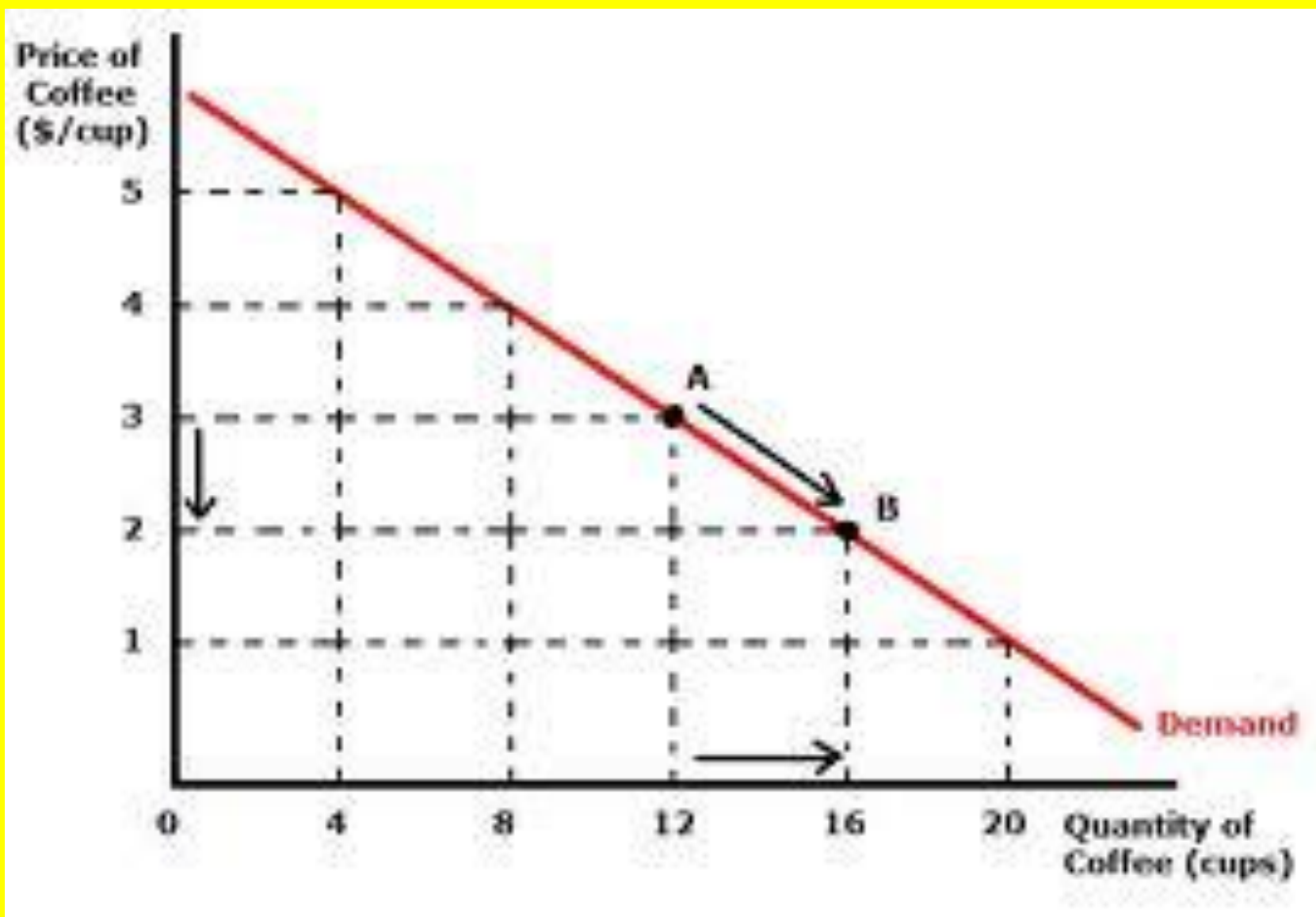
A Change in Quantity Demanded



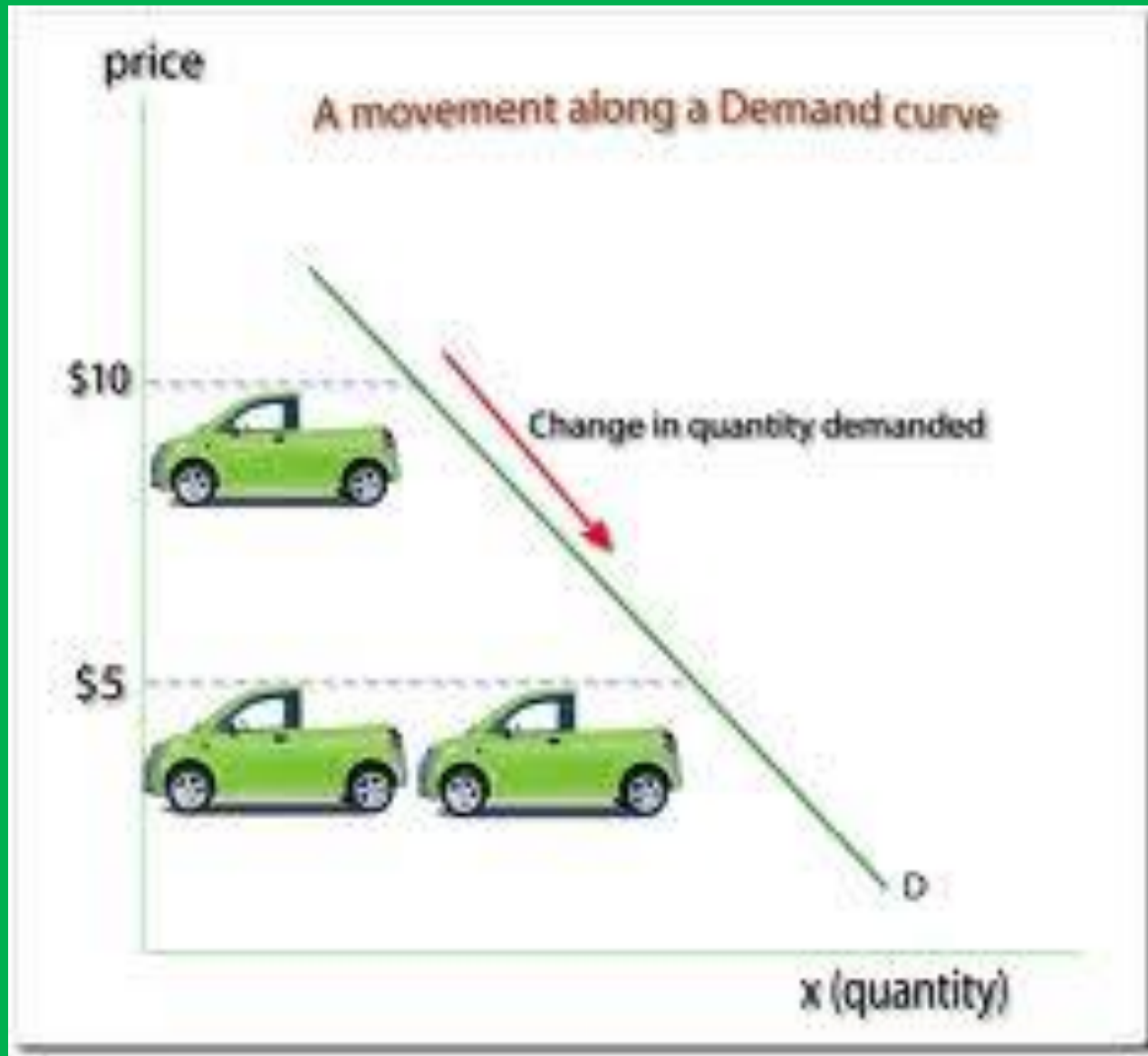
A Change in Quantity Demanded



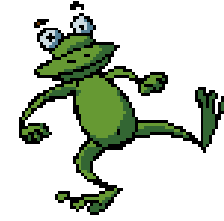
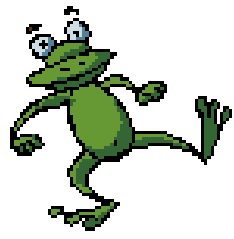
A Change in Quantity Demanded



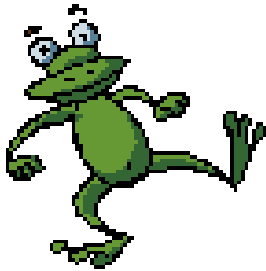
A Change in Quantity Demanded





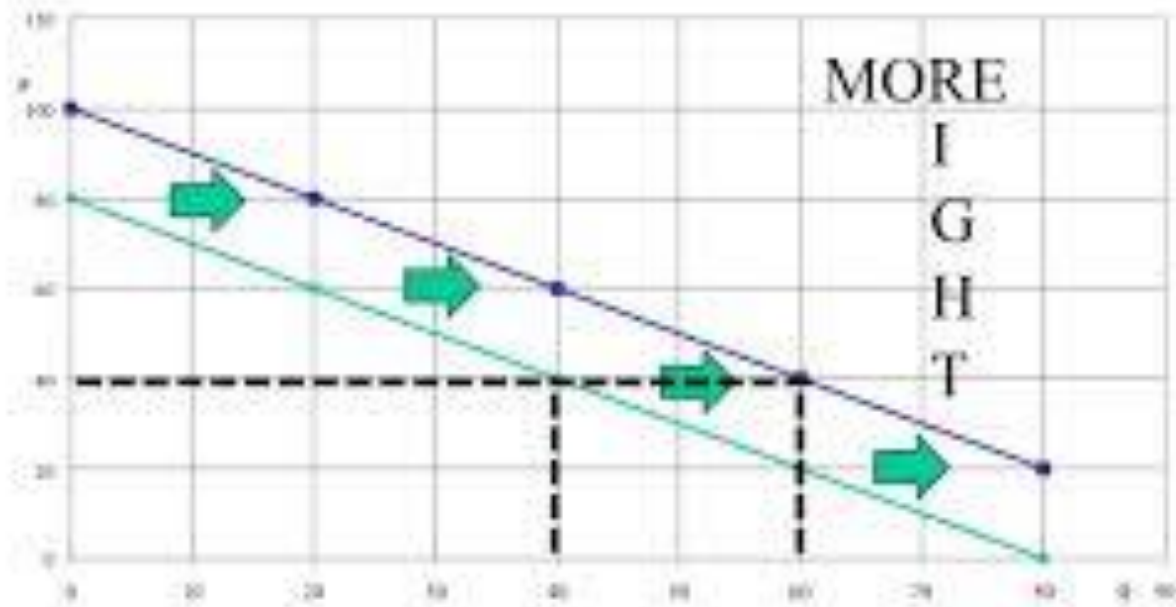


A Change in Demand



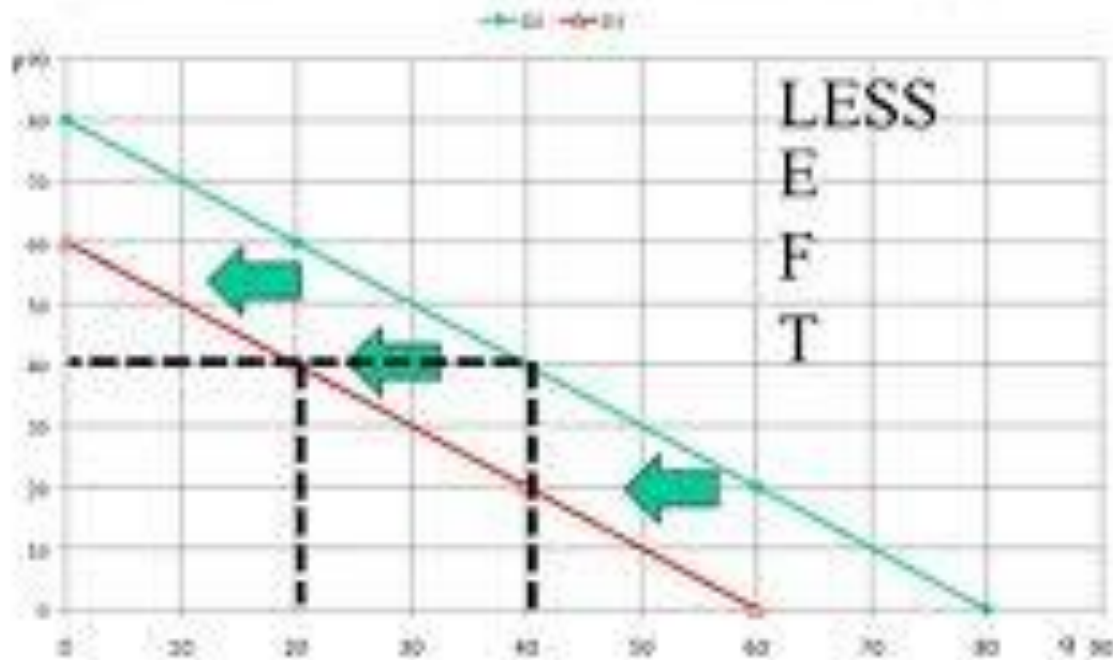
A Change in Demand

Shift Right in the Demand Curve

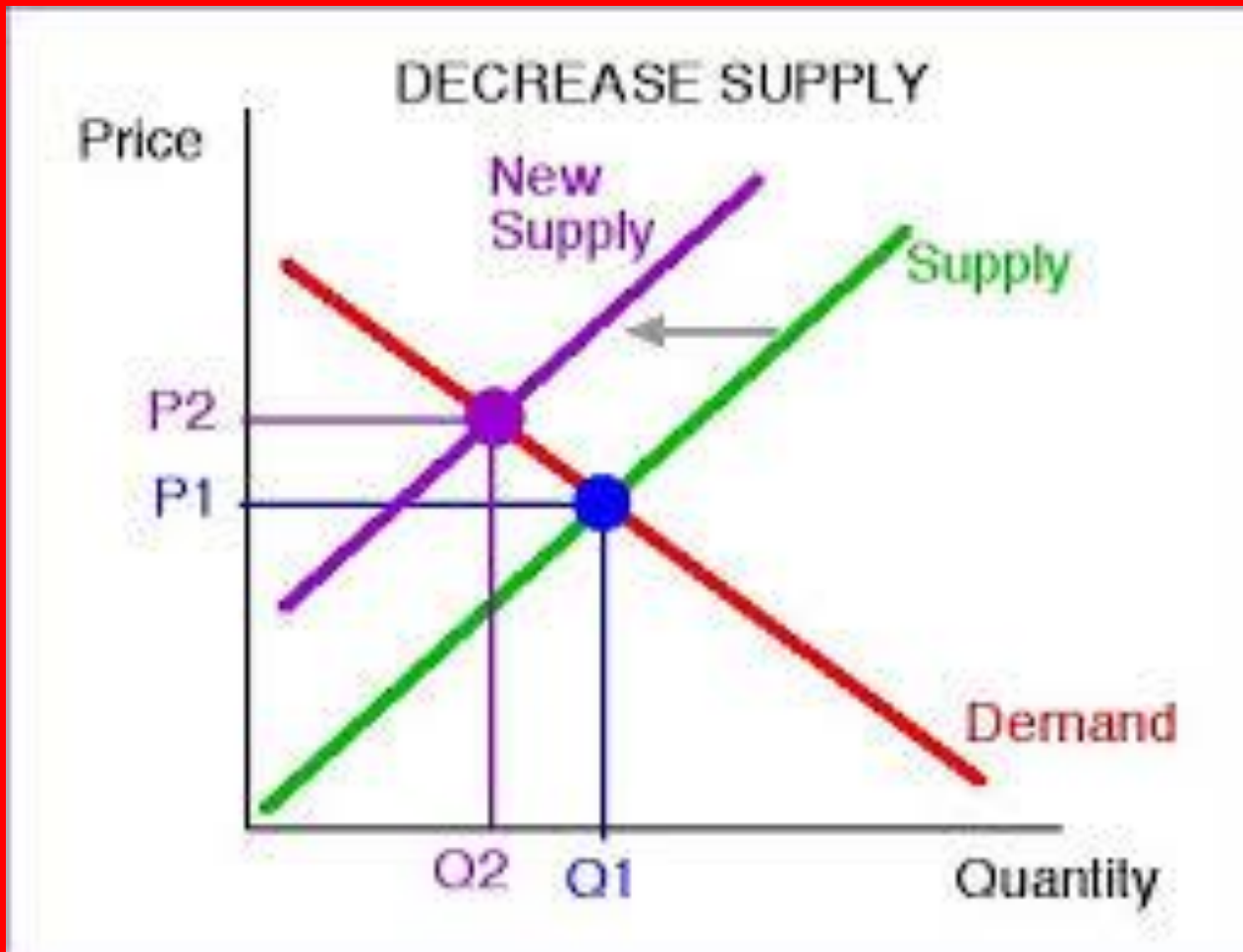


A Change in Demand

Shift Left in the Demand Curve



A Change in Demand



A Change in Demand

