

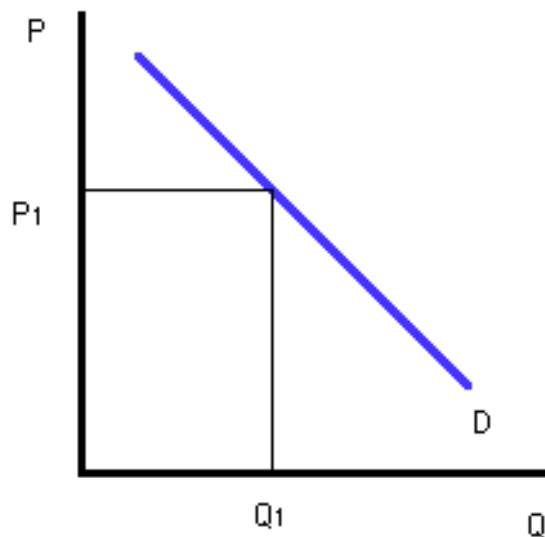
Chapter 3: Supply and Demand

Analyzing Markets

Demand

Law of Demand: states that the demand relationship is an inverse or negative one (as price rises, quantity demanded falls, all else being held constant)

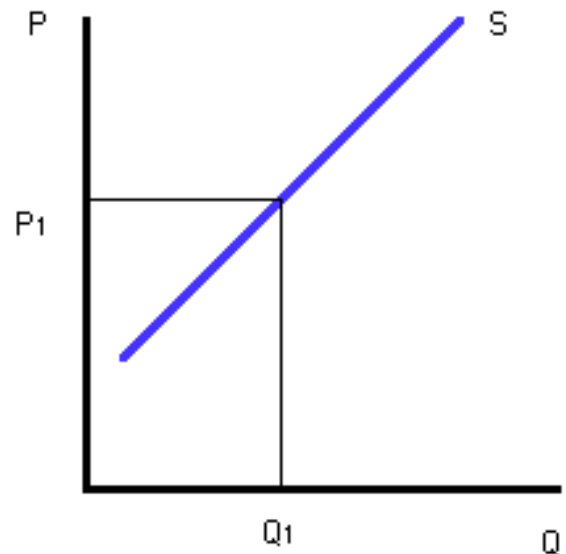
Demand: the relationship between the price and quantity demanded of a good, all else being held constant



Supply

Law of Supply: states that the supply relationship is a positive one (as price rises, quantity supplied rises, all else being held constant)

Supply: the relationship between the price and quantity supplied of a good, all else being held constant



Determinants of Demand

1. Expected Prices
2. Population
3. Substitutes and Complements
4. Tastes and Preferences
5. Income

Determinants of Supply

1. Price of Inputs
2. Prices of Related Goods
3. Expected future prices
4. Number of suppliers
5. Technology