

Econ Chapter 4

Demand

Going over 4-1

- Turn to your partner. What three things determine the demand for a product?
- Apply it: iPhone 5
 - With your partner, discuss. Will this item have all three things to meet demand?

Microeconomics

- The part of economic theory that deals with behavior and decision making by individual units, such as people and businesses



Market Demand Schedule

Price of a Small Soda	Number demanded per day
\$0.25	890
\$0.50	500
\$0.75	480
\$1.00	470
\$1.25	410
\$1.50	350
\$1.75	280
\$2.00	240
\$2.25	200
\$2.50	150
\$2.75	100

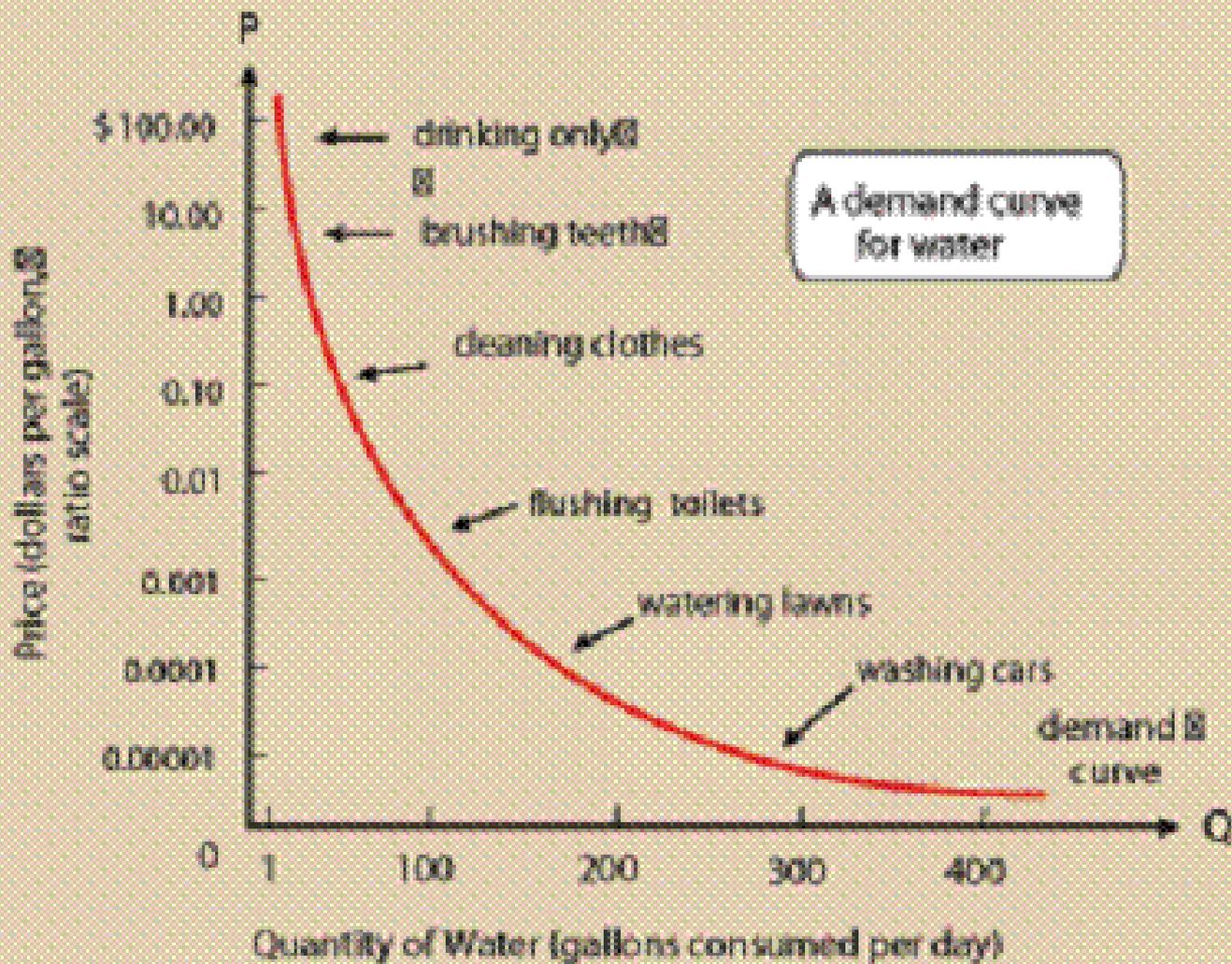
Price of Ice Cream Cone	Quantity of Cones Demanded
0.00	12
5.00	10
10.00	8
15.00	6
20.00	4
25.00	2
30.00	0

- The purpose of a demand schedule is to show various quantities and every price that might prevail in the market.
- Forms a curve when points are graphed and connected.

THE DEMAND CURVE

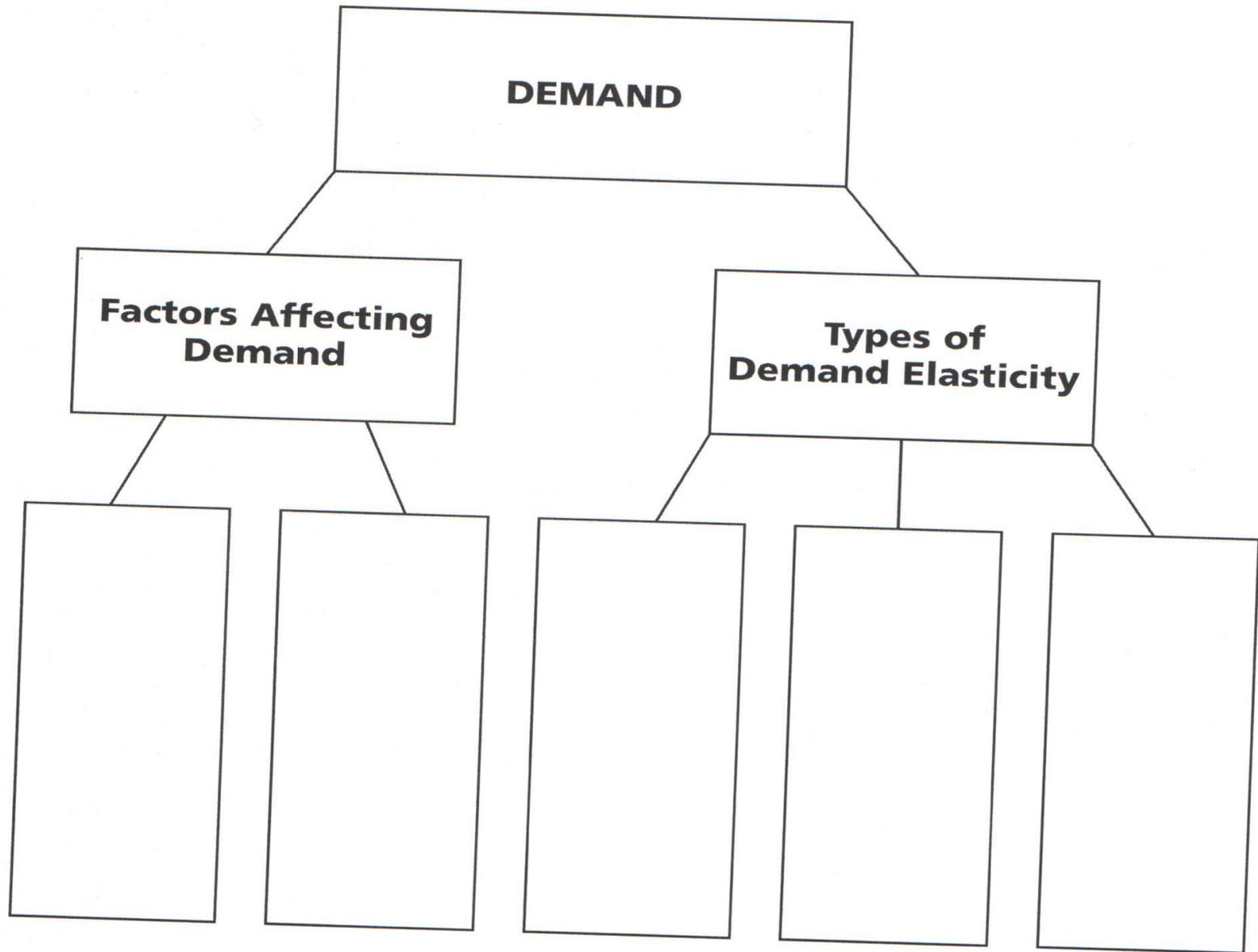


1. How many movie DVDs would people be willing to purchase at point *a* on the graph? At point *b*?
2. How is the change in demand for movie DVDs illustrated on this graph?



People use water sparingly when it is especially scarce and costly.
 As the price declines, more and more uses are considered economical, and more water will tend to be devoted to each use.

Create this in your notebook.



Factors Affecting Demand

- ◎ Change in quantity demanded – occurs when a product's price changes; movement is along the demand curve
- ◎ Change in demand – occurs when demand for a product changes at each and every price; is shown by a shift in the entire demand curve to the right or left.

Marginal Utility

- ◉ Marginal means small (small change)
- ◉ In economics, the marginal utility of a good or service is the gain (or loss) from an increase (or decrease) in the consumption of that good or service.
- ◉ Marginal utility is an important economic concept because economists use it to determine how much of an item a consumer will buy.

Example of Marginal Utility

- For example, if you were really thirsty you'd get a certain amount of satisfaction from a glass of water. This satisfaction would probably decrease with the second glass, and then decrease even more with the third glass. The additional amount of satisfaction that comes with each additional glass of water is marginal utility.

Diminishing satisfaction

- We usually are not willing to pay as much for the second, third, fourth and so on, as we did the first unit.
- Take, for example, a chocolate bar. Let's say that after eating one chocolate bar your sweet tooth has been satisfied. Your marginal utility after eating one chocolate bar will be quite high.
- But if you eat more chocolate bars, the pleasure of each additional chocolate bar will be less than the pleasure you received from eating the one before - probably because you are starting to feel full or you have had too many sweets for one day.

Turn to 4-2

- 1 a. Change in quantity demanded
- 1.b.1 consumers pay less and have extra income to spend
- 1.b.2. consumers feel poorer and buy less
- 1.c – consumers tend to replace the more costly item with the less costly item.



Section 4-3

Types of Demand Elasticity

- ◎ Elastic Demand – occurs when a change in price causes a relatively larger change in the quantity demanded
- ◎ Inelastic demand – occurs when a change in price causes a relatively smaller change in the quantity demanded
- ◎ Unit elastic demand – occurs when a change in price causes a proportional change in quantity demanded.