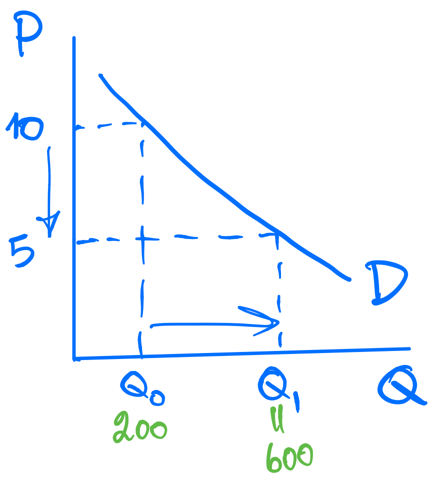
Demand + Supply - Market Equilibrium.

Demand = relationship between price and quantity demanded that the buyer(s) is (are) willing and able to buy



Q = 200 is the quantity demanded at P = 10 \$

- when price changes from P = 10 \$ to P = 5 \$

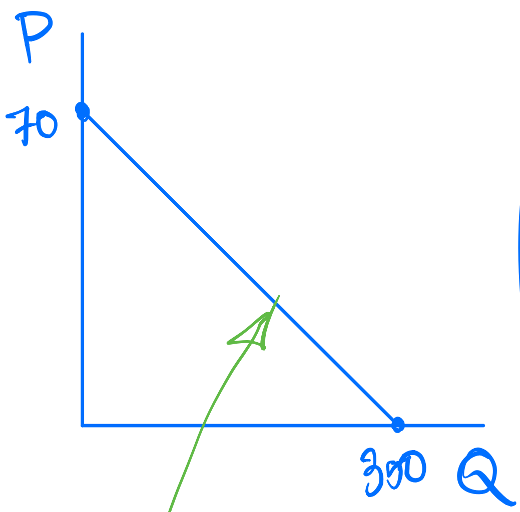
the quantity demanded increases from 200 to 600 units.

But the demand D is unchanged!

Law of Demand. - given all factors being equal (constant)
if the price decreases (increases)
the quantity demanded increases (decreases).

⟺ Price + Quantity demanded have inverse relationship

⟺ Demand curve has negative slope.



$$D: \; P = 70 - \frac{1}{5}Q_D$$

$Q_D = 0, \; P = 70$

$P = 0, \; Q_D = 350$

Slope of D $= -\frac{1}{5}$

$$D: \; Q_D = 350 - 5P$$

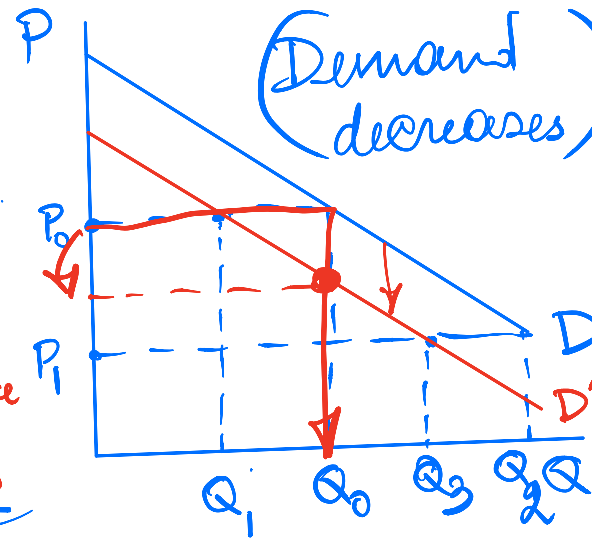
$= \frac{1}{\text{slope}}$ of graph

Factors that can change the Demand.

1) **Income** with lower income, at the same price P_0, buy less at Q_1

- this is True at every price
- so demand decreases from D to D′

(Demand decreases)



2) Taste of Consumers – Fashion.

3) Population – number of buyers increases

$\Rightarrow$ D increases.

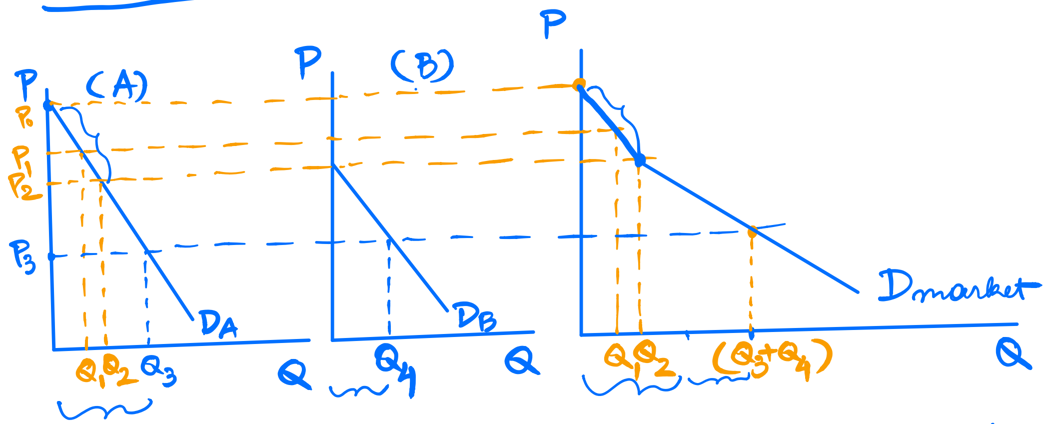
4). Expectation.

5) Prices of related goods.

a) Substitutes – price of other good that can be substitute is lower, the the demand of This product is lower

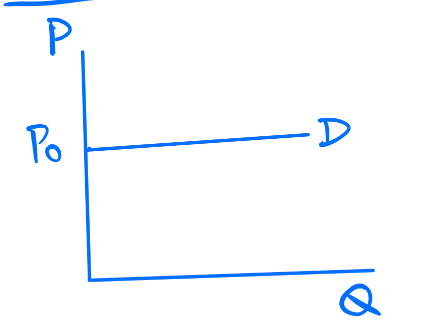
b) Complementary price of a complementary product is lower, the demand of the product will be higher.

Individual and Market Demands.



D of the market is sum of quantities demanded of each buyer at each price.

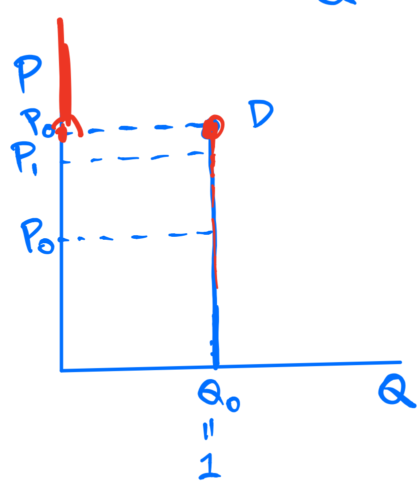
Extreme cases of Demand Curve.



D has zero slope at Price P_0.

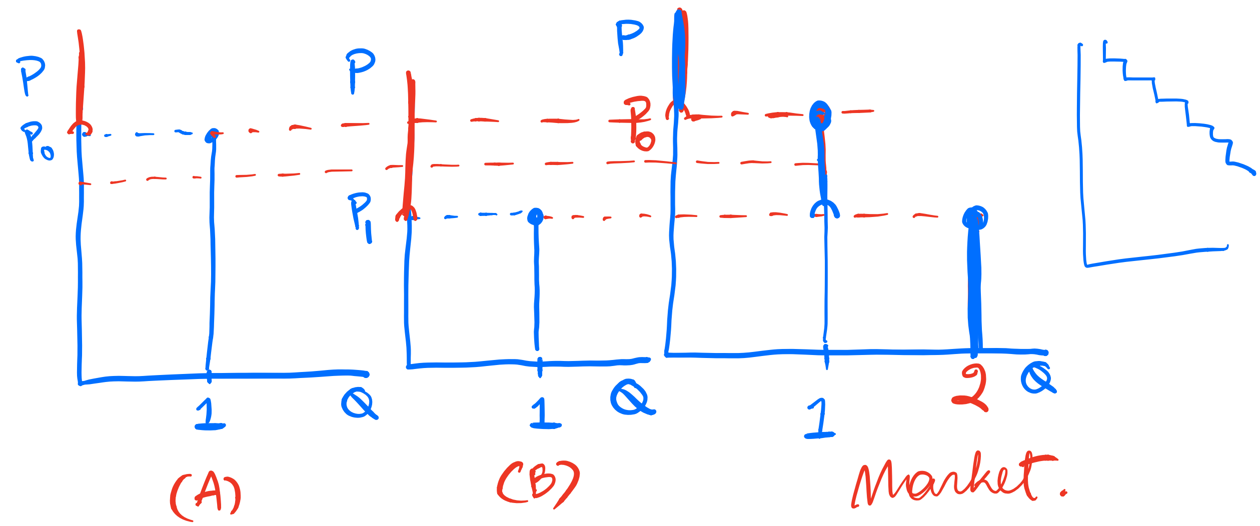
If price is P_0 (or less) the quantity demanded is ∞

But if price is $> P_0$, the quantity demanded $= 0$.



Quantity demanded is $= Q_0$ for any price upto P_0

For price $> P_0$, quantity demanded $= 0$


P
P_0
1
Q
(A)
P
P_1
1
Q
(B)
P
P_0
1
2
Q
Market.