

Chapters 5 & 6 Demand and Supply

Demand = *the amount of goods or services that people want or need and that they are willing and able to buy at a given price*

Law of demand = *consumers will buy more of a product or service at a low price than they will at a high price*

- Can be shown on table or graph

Changes in Level of Demand caused by:

- What people want
- How much money people have to spend
- People's expectation of future income
- Cost of substitute products
- How much satisfaction people get from product
- Market size

Supply = *the amount of goods or services people are willing to provide at a given price*

Law of supply = *producers will supply more goods and services when they can sell them at a higher price*

Define "profit":

Changes in Level of Supply caused by:

- Changes in the cost of production
- New producers in the market
- Changes in technology
- The price of substitute products