LGA Personal Finance / Economics Class

*Vocabulary and Notes*

**What is Demand? – February 19**

Demand – the desire, willingness, and ability to buy a good or service

\*For demand to exist –

-A customer must ***want*** a good or service

-A customer has to ***be willing*** to buy a good or service

-A customer must ***have the resources*** to buy a good or service

demand schedule – a table that lists various quantities of a product or service that someone is willing to buy over range of possible prices

demand curve – a graph that shows the amount of a product that would be bought at all possible prices on the vertical axis and quantities on the horizontal axis.

\*Each point in the curve shows how many units of the product or service an individual will buy at a particular price

Demand Schedule Demand Curve



Law of Demand – quantity demanded and price move in opposite directions

market demand – the total demand of all consumers for their product or service

\*knowledge of demand is important for answering the questions of production

utlitity – the pleasure, usefulness, or satisfaction we get from using a product

\*may vary from person to person

\*usually changes as we consume more of a particular product

\*because you are not quite as hungry after consuming the first slice, you receive less additional satisfaction or marginal utility for each additional slice.

Diminishing marginal utility – the principle that our additional satisfaction, or our marginal utility, tends to go down as more and more units are consumed

Buyer’s market – when an abundance of goods exists, buyers can afford to be selective and sellers usually have to lower prices to lure customers

**Changes in Demand**

\*changes in number of consumers

\*changes in consumers’ income

\*changes in consumers’ taste

\*changes in consumers’ expectations

 -expectations – the way people think about the future

\*changes in substitutes

 -substitutes – competing products that can be used in place of the other

\*changes in compliments

 -compliments – products that are used together (computers/software, dvds/dvd players)

**Elasticity of Demand**

Demand elasticity – extent to which a change in price causes a change in the quantity demanded

\*to be elastic means that each change in price causes a relatively larger percentage change in quantity demanded

\*items with substitutes are usually elastic because there is a choice

\*items with few or no substitutes are inelastic (medication, electricity, Turkey at Thanksgiving)