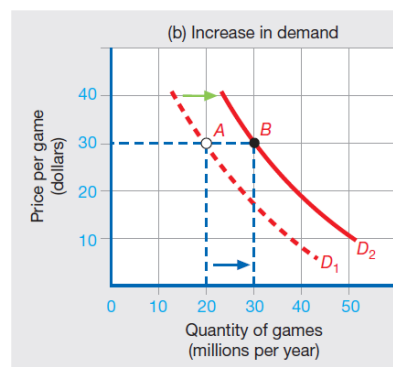
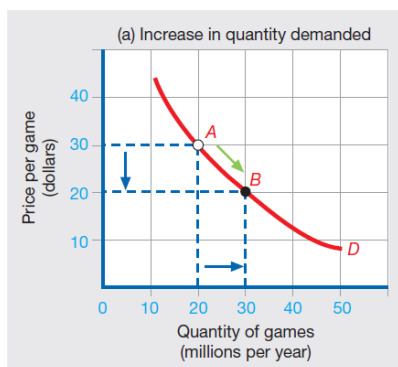


Chapter 3 – Market Demand + Supply (2Q)➤ Law of Demand

- **Consumer sovereignty** – Consumers freedom to make own choices about G/S to buy.
- **Law of D** – Inverse relationship between P of G/S + Q willing to be bought.
- **Law of diminishing marginal utility** – Satisfaction from additional consumption.

➤ Changes (Δ) in Q D/ed + Changes (Δ) in D

- Δ in Q D/ed.
 - o Movement between points along a stationary D curve.
 - o Any \uparrow in P will cause \downarrow in Q S/ed.
- Δ in D.
 - o Caused by \uparrow/\downarrow of P.
 - o Shifts right if D \uparrow , vice versa.



- Non-price determinants:
 - o No. of **buyers**;
 - o **Tastes + preferences**;
 - o **Income**;
 - Normal G/S – Direct relationship between Δ in income + its D.
 - Inferior G/S – Inverse relationship between Δ in income + its D.
 - o **Expectations**; AND
 - o **P of related Gs**
 - Substitutes – G/S competing with similar G/S.
 - Direct relationship between P Δ of G/S + D for competitor's G/S.
 - Complements – G/S jointly consumed with another G/S.
 - Inverse r/ship between P Δ of G/S + D for complementary G/S.

➤ Law of Supply

- Direct r/ship with P of G + Q offered.

➤ Changes (Δ) in Q S/ed + Changes (Δ) in S

- Δ in Q S/ed.
 - o Movement between points along a stationary S curve.
 - o Any \uparrow in P will cause \uparrow in Q S/ed.
- Δ in S
 - o A shift in S to right/left (\uparrow/\downarrow).

