

CH. 4

COMPETITIVE MARKETS

A MARKET W/ MANY BUYERS
+ SELLERS

- NO INDIVIDUAL CAN IMPACT MARKET

DEMAND

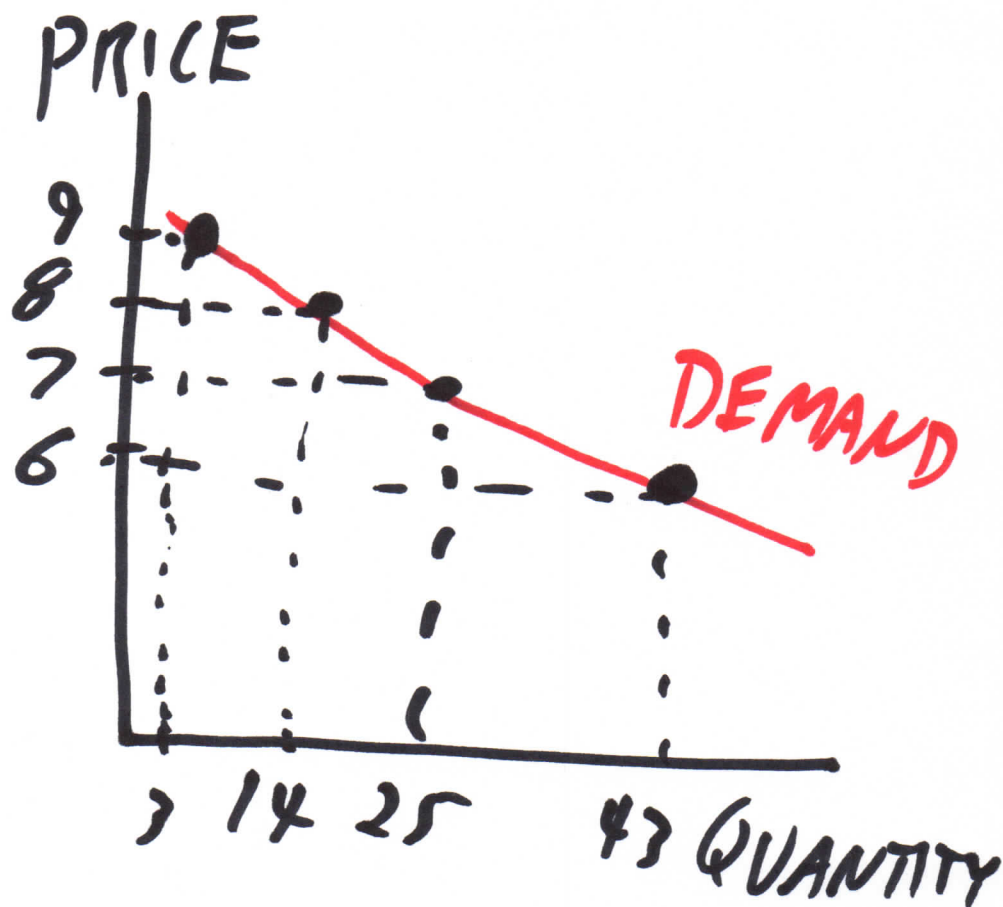
QUANTITY DEMANDED

- AMOUNT THAT BUYERS ARE
WILLING TO PURCHASE

LAW OF DEMAND

- QUANTITY DEMANDED FALLS ($\uparrow$)
WHEN PRICES RISE ($\downarrow$)

43, \$6
25, \$7
14, \$8
3, \$9



CHANGE IN QUANTITY
DEMANDED IS A MOVEMENT
ALONG THE DEMAND CURVE

CHANGE IN DEMAND IS A
MOVEMENT OF THE DEMAND CURVE

WHAT EFFECTS DEMAND?

① INCOME

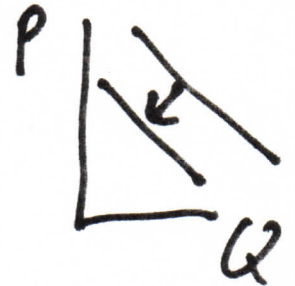
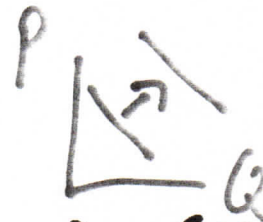
NORMAL GOODS-

MORE INCOME $\rightarrow$ OUTWARD D SHIFTS

INFERIOR GOODS-

MORE INCOME $\rightarrow$ INWARD D SHIFT

- BUS RIDES



② TASTES + PREFERENCES

③

④

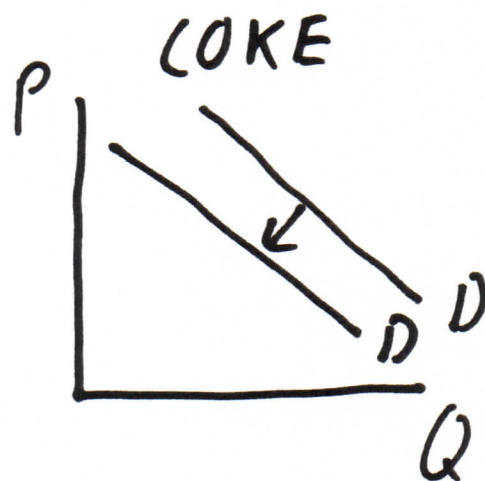
⑤

CH. 4 WHAT EFFECTS DEMAND?

③ PRICES OF OTHER GOODS SUBSTITUTE GOODS - "EITHER/OR"

COKE + PEPSI

PRICE PEPSI $\downarrow \rightarrow$



PRICE SUBSTITUTE $\downarrow \uparrow$
 $\rightarrow$ DEMAND FOR ORIGINAL PRODUCT $\uparrow \downarrow$

(COMPLEMENT GOODS - "BOTH/AND")

~~IPODS + ITUNES~~

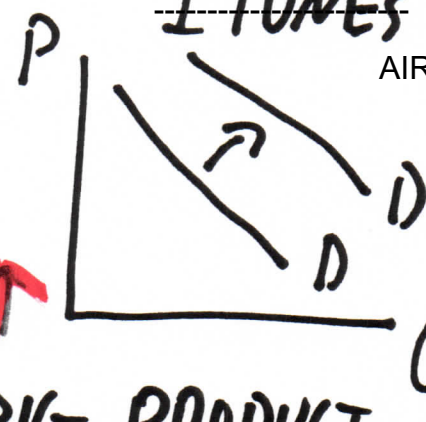
IPHONES AND AIRPODS

~~ITUNES~~

AIRPODS

PRICE ~~IPOD~~ $\downarrow \rightarrow$

IPHONES



PRICE COMPLEMENT $\downarrow \uparrow$
 $\rightarrow$ DEMAND FOR ORIG. PRODUCT $\uparrow \downarrow$

WHAT EFFECTS DEMAND?

④ EXPECTATIONS OF FUTURE PRICES
" " " INCOME

⑤ NUMBER OF BUYERS

SUPPLY

QUANTITY SUPPLIED

- AMOUNT THAT FIRMS ARE
WILLING TO SELL

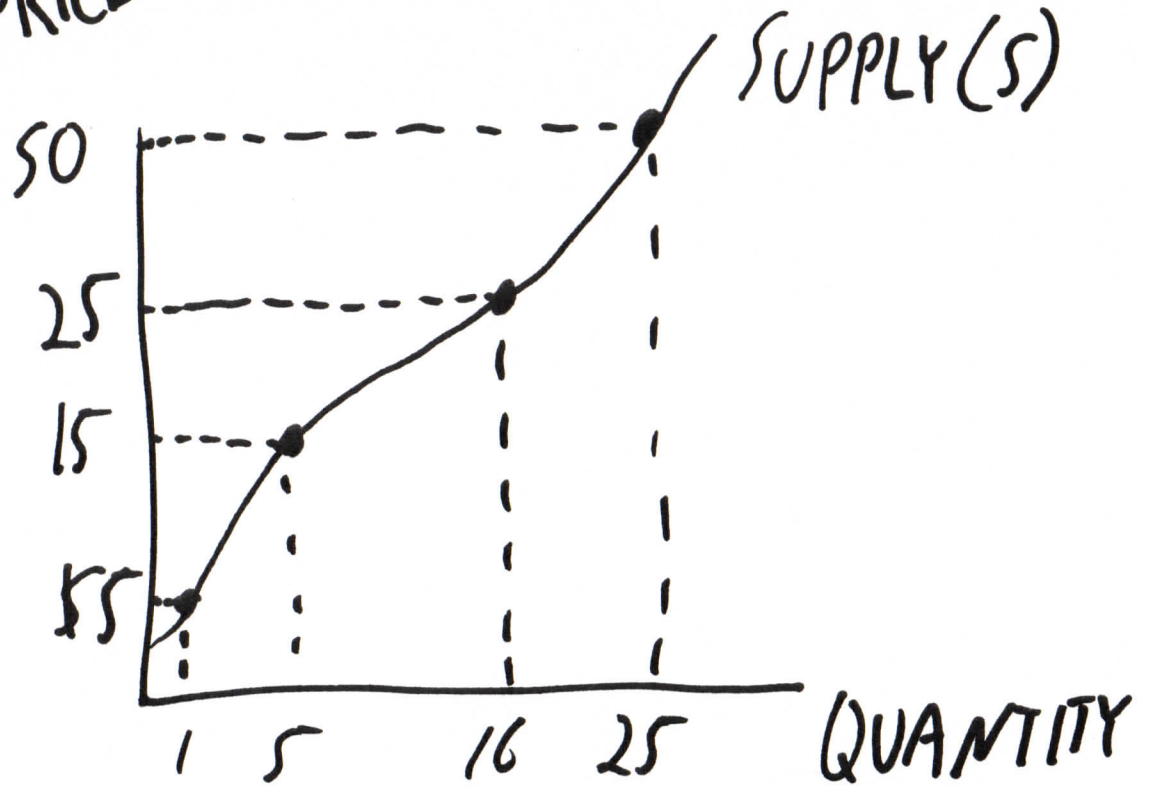
LAW OF SUPPLY

- QUANTITY SUPPLIED $\uparrow \downarrow$
AS LONG AS PRICES $\uparrow \downarrow$

SHOES

PRICE	QUANTITY
\$5	1
\$15	5
\$25	16
\$50	25

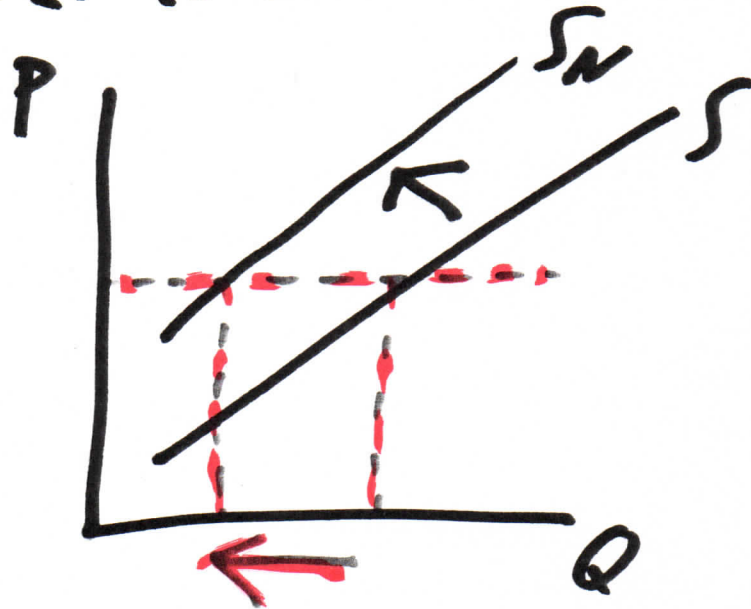
PRICE



WHAT DETERMINES SUPPLY?

① INPUT PRICES

COSTS OR INPUT PRICES $\uparrow$ $\downarrow$
SUPPLY CURVE SHIFT INWARDS
OUTWARDS



② TECHNOLOGY

INCREASE IN TECHNOLOGY,
INPUT EFFICIENCY

COSTS $\downarrow$
OUTWARD SHIFT IN SUPPLY

③ EXPECTATIONS OF FUTURE
DEMAND OR FUTURE COSTS

EXPECT MORE DEMAND

→ INVENTORY NOT SALES

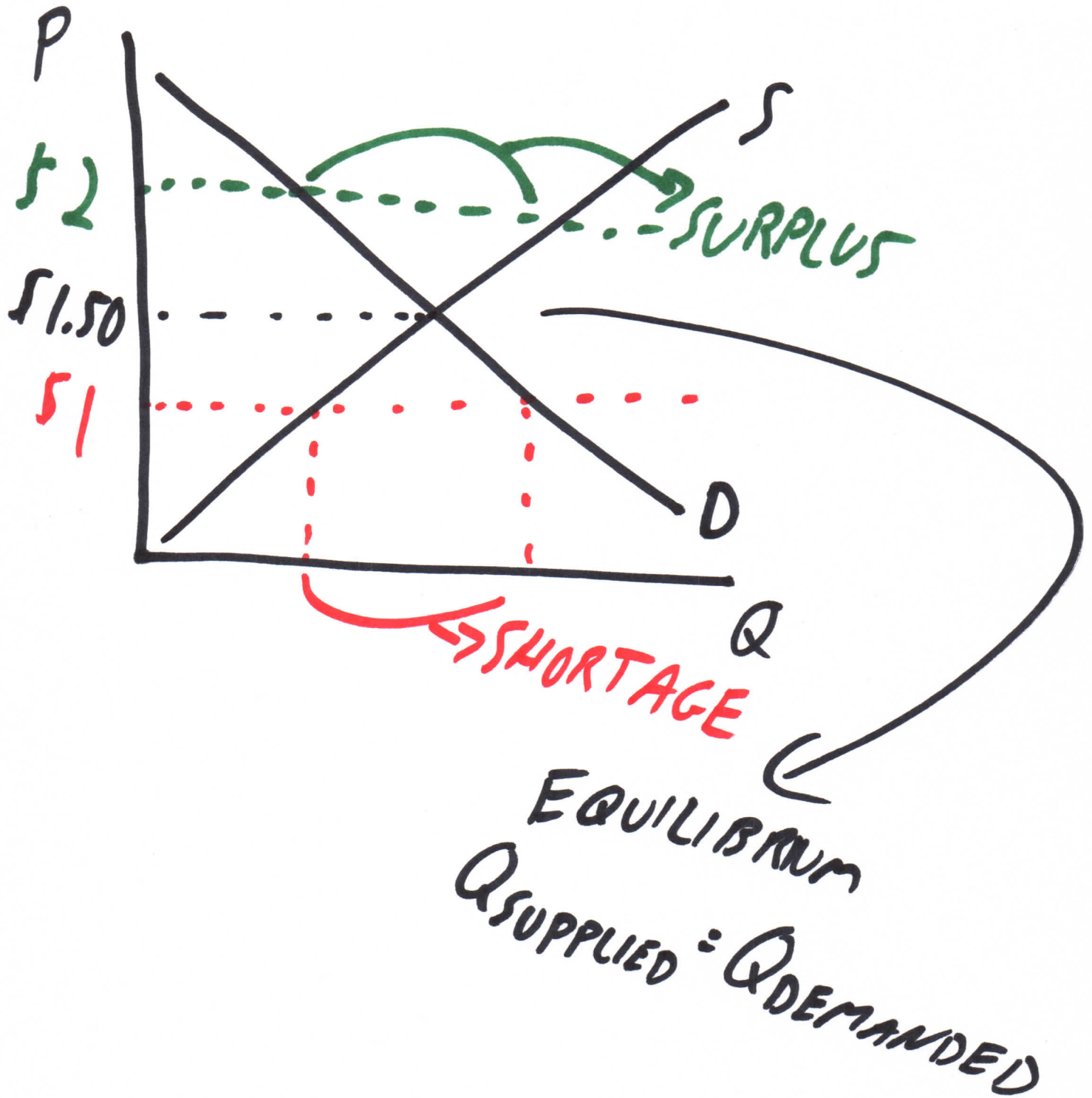
→ INWARD SHIFT IN TODAY'S
SUPPLY CURVE

EXPECT LOWER COSTS

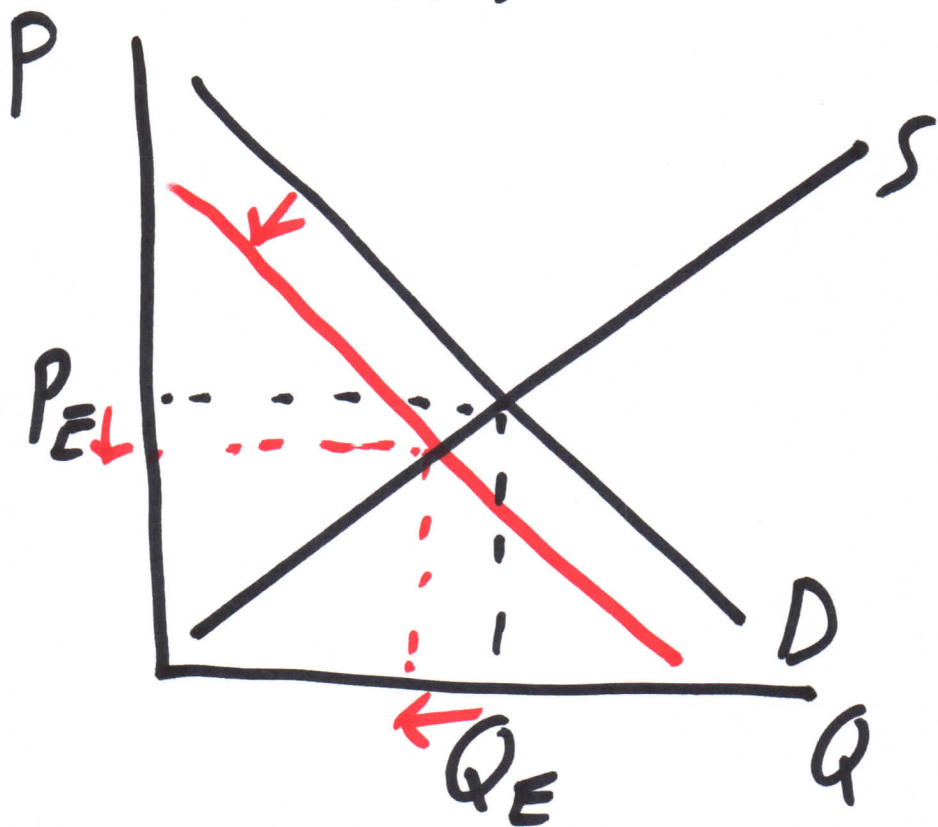
→ INWARD SHIFT IN TODAY'S
SUPPLY CURVE

④ NUMBER OF SELLERS
SUPPLY SHIFTS OUTWARD

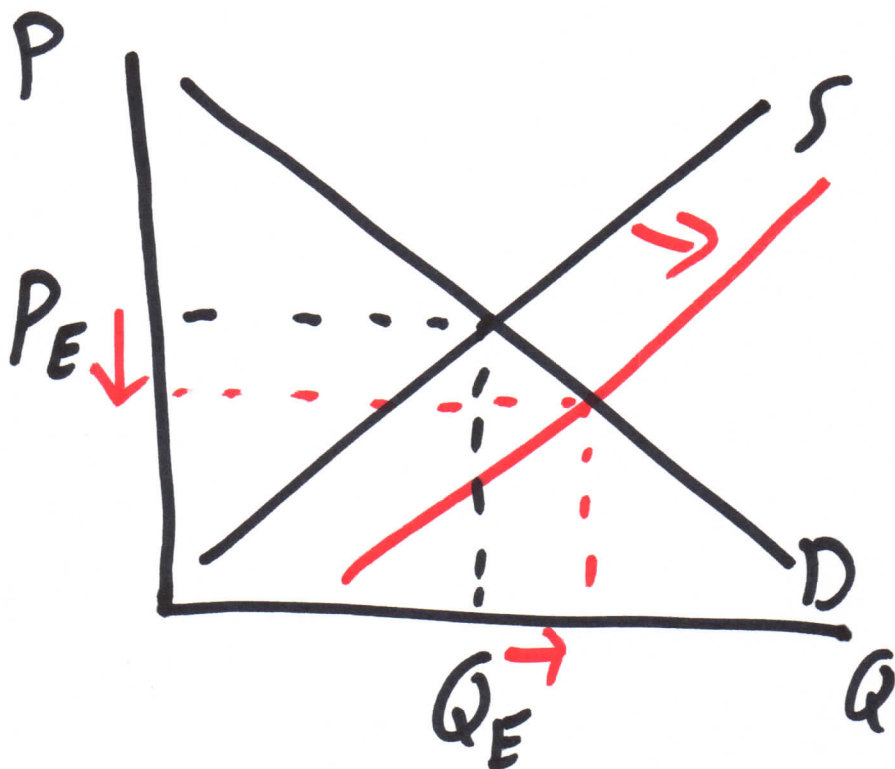
GREEK YOGURT



GAS



FUEL
EFFICIENCY
STANDARDS
RISE



OIL
SANDS
IN CANADA

~~CHANGE~~ CHANGE IN DEMAND
(SHIFT IN D CURVE)

(CHANGE IN QUANTITY SUPPLIED
(MOVEMENT ALONG S CURVE)