

CONCEPT: THE BASICS OF DEMAND

- Throughout this chapter, most of our analysis is done on the **price/quantity graph**:



- Demand relates to the behavior of _____ in our perfectly competitive market.
- The **quantity demanded** is the amount of a good that buyers are willing to purchase at a given price.
- The **demand schedule** lists pairs of prices and quantities demanded.



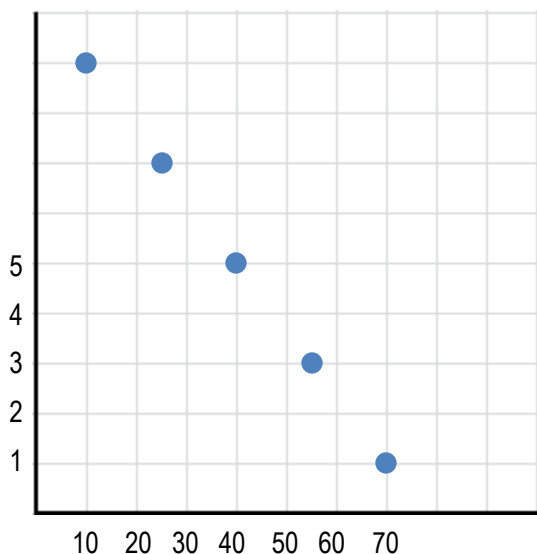
The Law of Demand

When the price of a good rises, the quantity demanded of that good falls

What explains the Law of Demand?

- Substitution Effect
- Income Effect

- The **demand curve** is a graph showing the relation between the price of a good and its quantity demanded.



Demand Schedule for Wheat	
Price (\$)	Quantity
9	10,000
7	25,000
5	40,000
3	55,000
1	70,000

- Note: Some goods are exceptions to the Law of Demand, but are beyond our scope