



# Principles of Microeconomics

## Using The Demand Curve

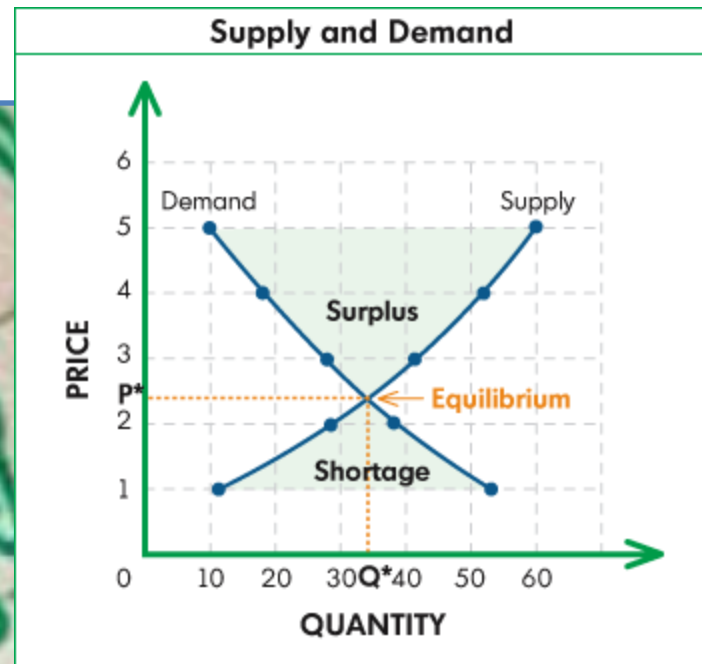
# The Demand Curve

- Demand curve shows us how many people will buy a certain product at a certain price



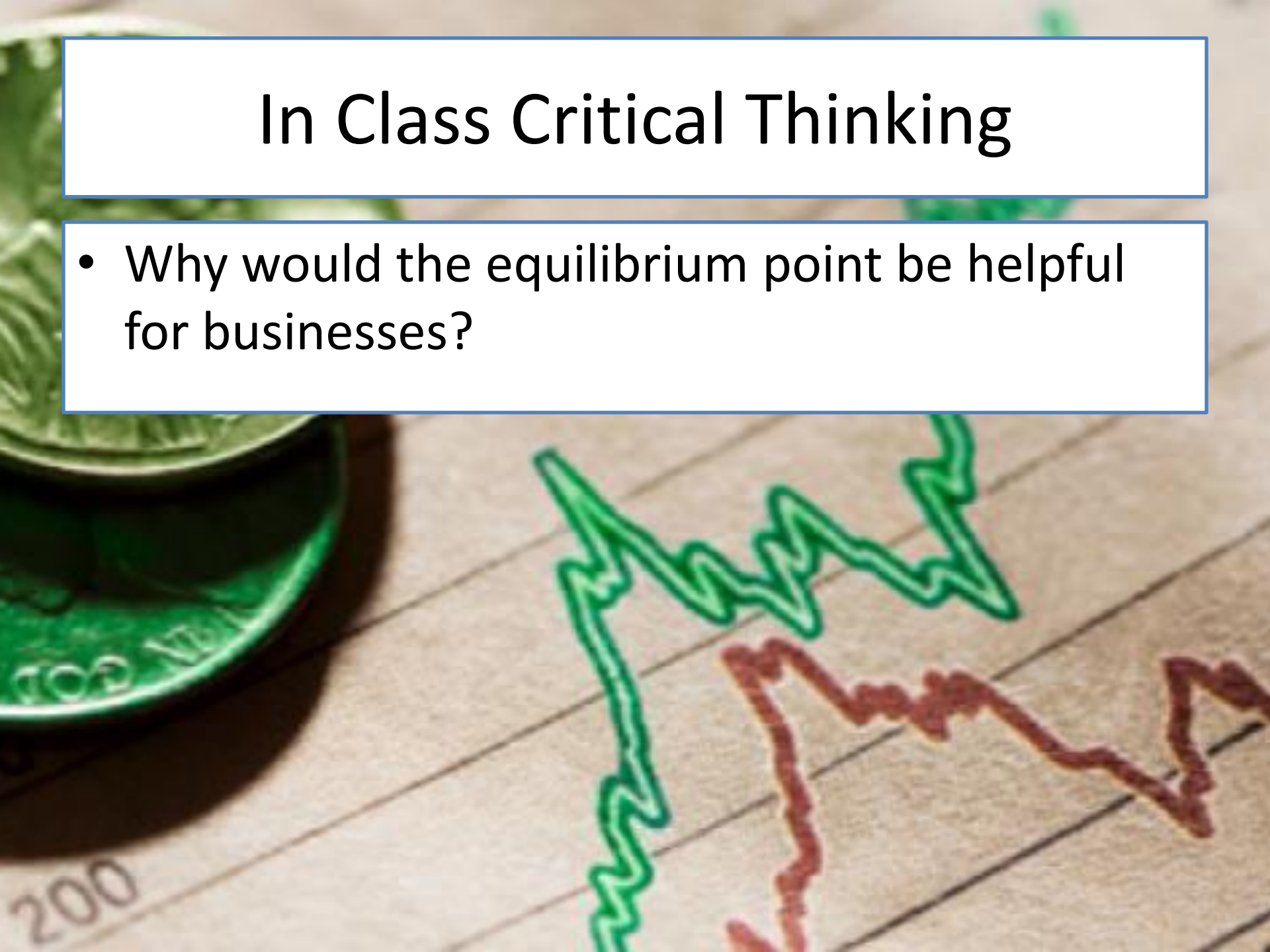
# Importance

- Match a Demand Curve with a supply curve and its possibly to find equilibrium
- Equilibrium – Point at which supply and demand are equal



# In Class Critical Thinking

- Why would the equilibrium point be helpful for businesses?



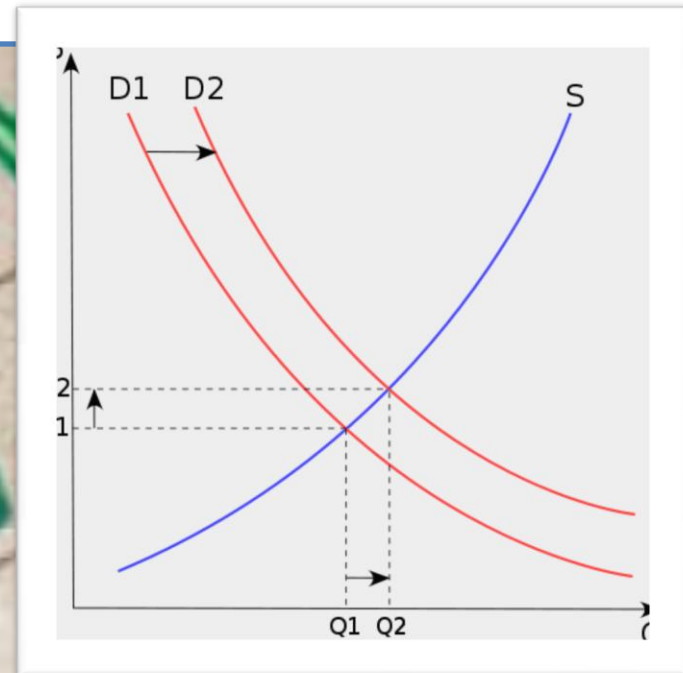
# How Demand Curves are helpful

- Businesses can use them to determine how much of a product to make and at what price to sell it at



# Shifting Demand Curves

- Sometimes external factors can cause the Demand curve to shift
- **MEANING:** People are willing to pay more or less for something



# In Class Critical Thinking

- What types of things could cause people to want to pay less for a product?
- Why would someone be willing to pay more for something?

# What Causes A Shift

- Income – I get more money or less money
- Consumer Expectations – Do I buy now because the price will go up later or do I buy later because the price will go down later
- Population – The more people the more quantity there needs to be
- Advertising – People can be convinced to buy things
  - People won't buy things if they don't know about them



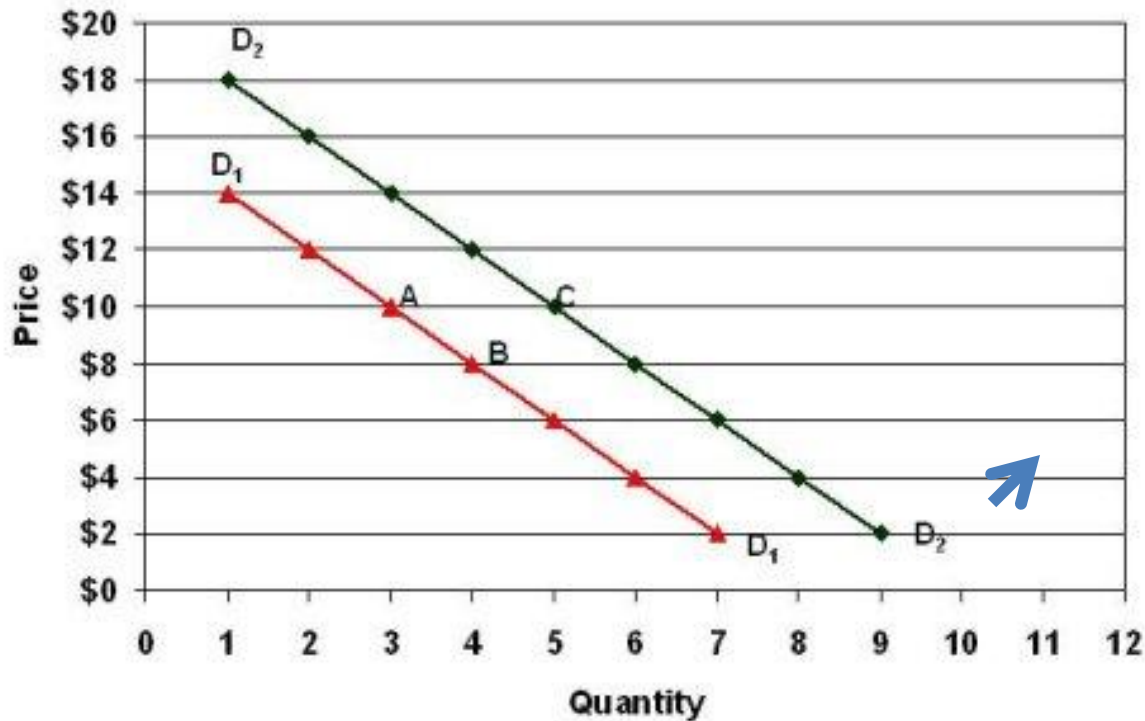
# Changes in Demand

- decrease in price of a substitute
- increase in price of a complement
- decrease in income if good is normal good
- increase in income if good is inferior good

# Change in Quantity Demanded vs. Change in Demand

## Change in Quantity Demanded

Figure 3-3: Change in Demand/  
Change in Quantity Demanded



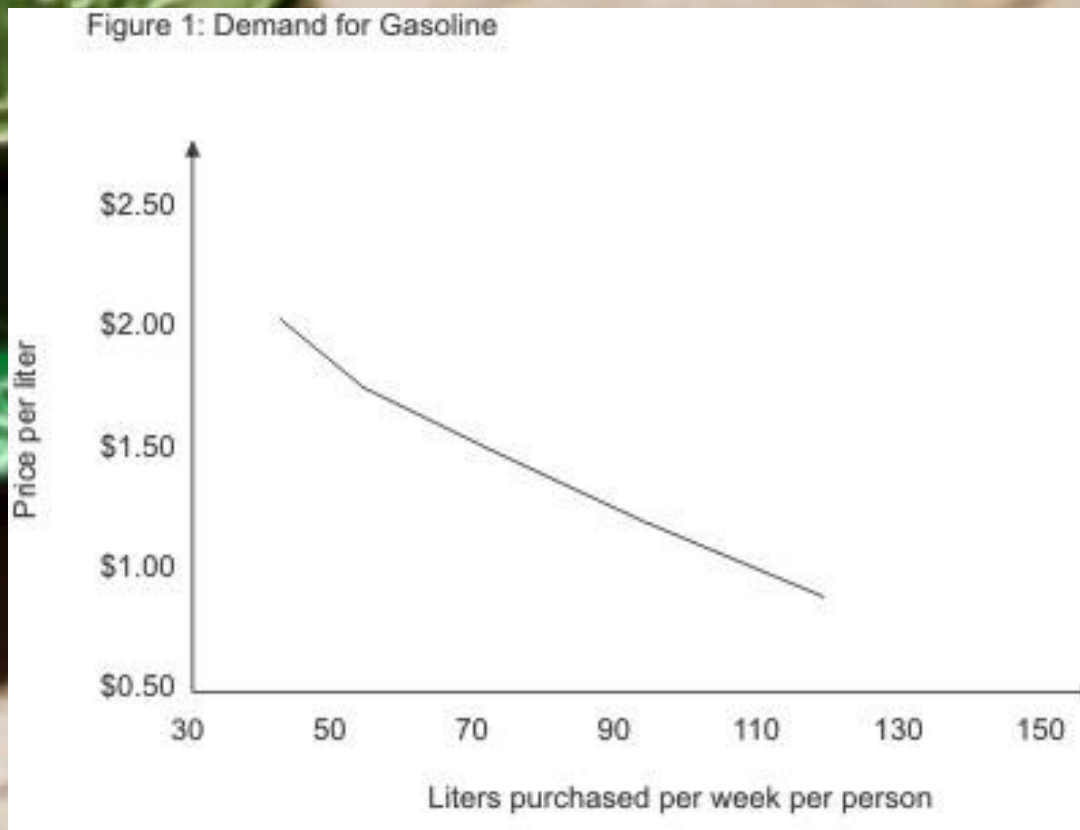
# In Class Activity: Using A Demand Curve

Scenario: A gas company is trying to figure out at what price should they sell gasoline. Graph the following data.

Buyer Demand per Consumer	
Price per liter	Quantity (liters) demanded per week
\$2.00	50
\$1.75	60
\$1.50	75
\$1.25	95
\$1.00	120

# In Class Activity: Using A Demand Curve

- The resulting graph should look like this



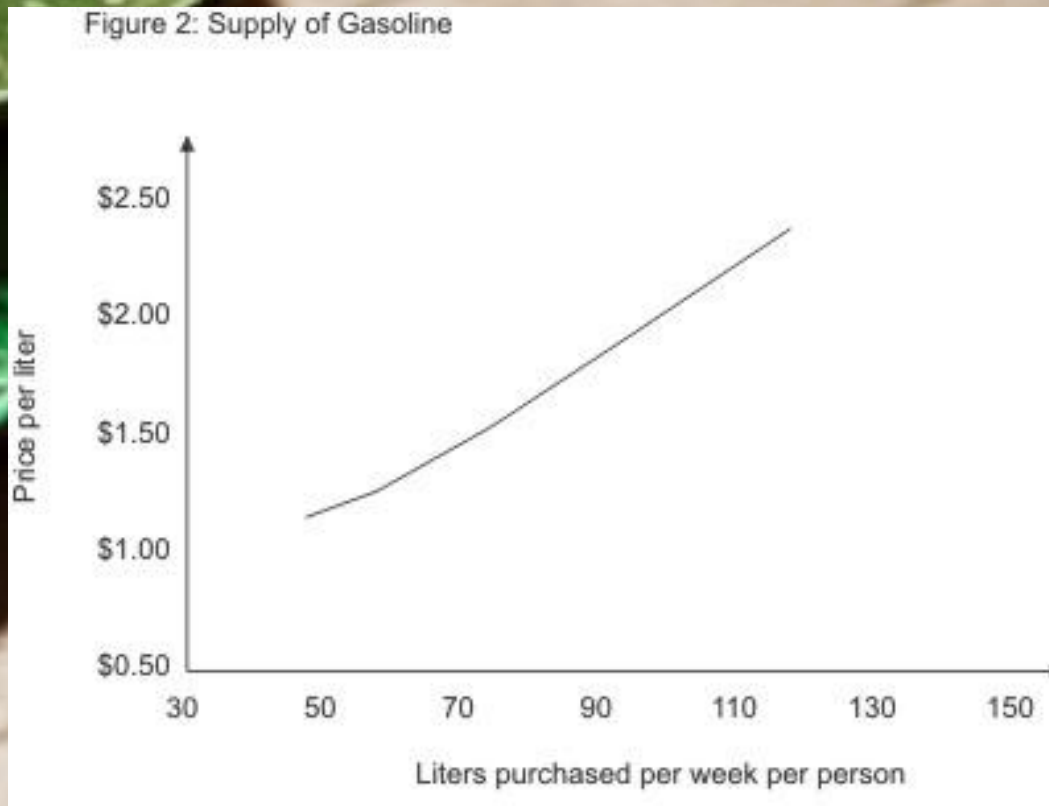
# In Class Activity: Using A Demand Curve

Now plot in the Supply Curve

Gas Supply per Consumer	
Price per liter	Quantity (liters) supplied per week
\$1.20	50
\$1.30	60
\$1.50	75
\$1.75	95
\$2.15	120

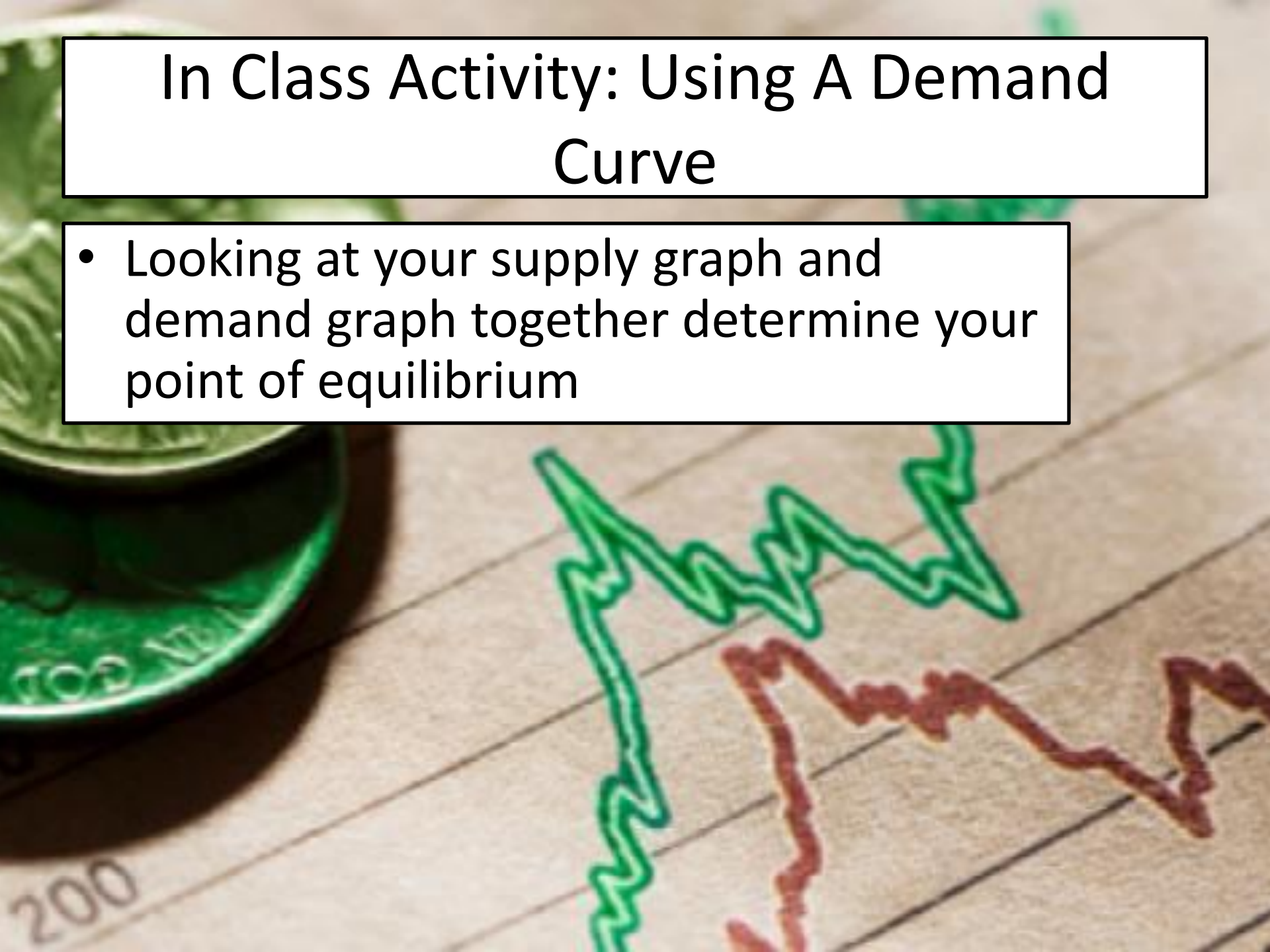
# In Class Activity: Using A Demand Curve

- Supply curve should look like this



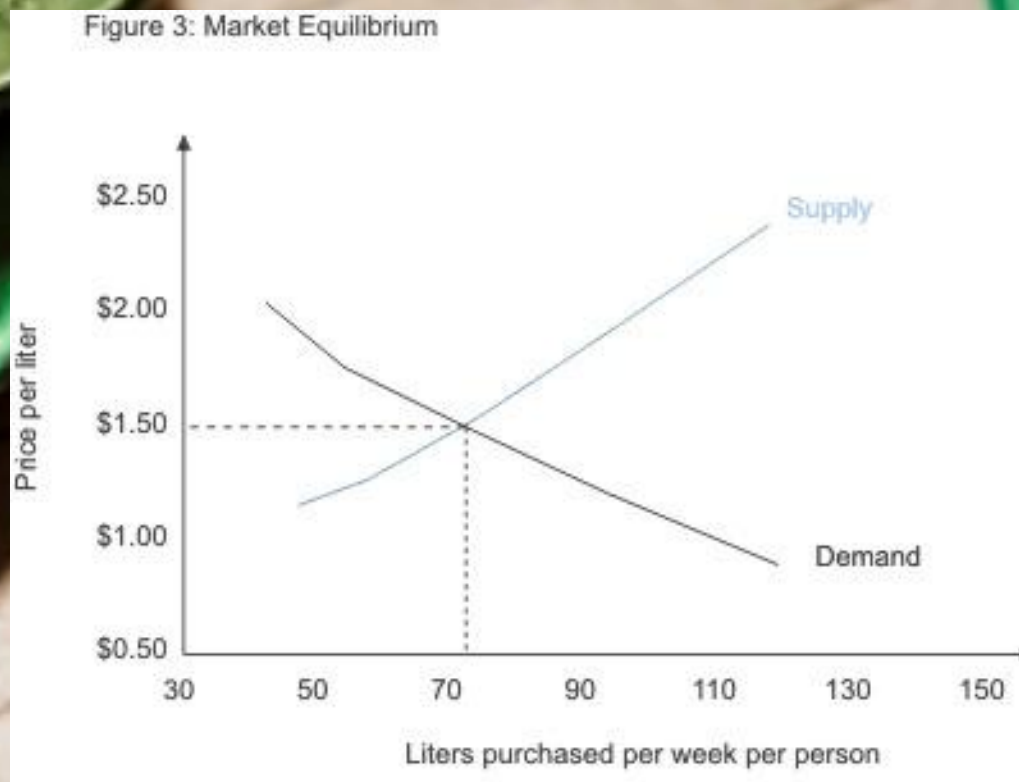
# In Class Activity: Using A Demand Curve

- Looking at your supply graph and demand graph together determine your point of equilibrium



# In Class Activity: Using A Demand Curve

- Our point of equilibrium ends up being 75 liters at a price of \$1.50 a liter





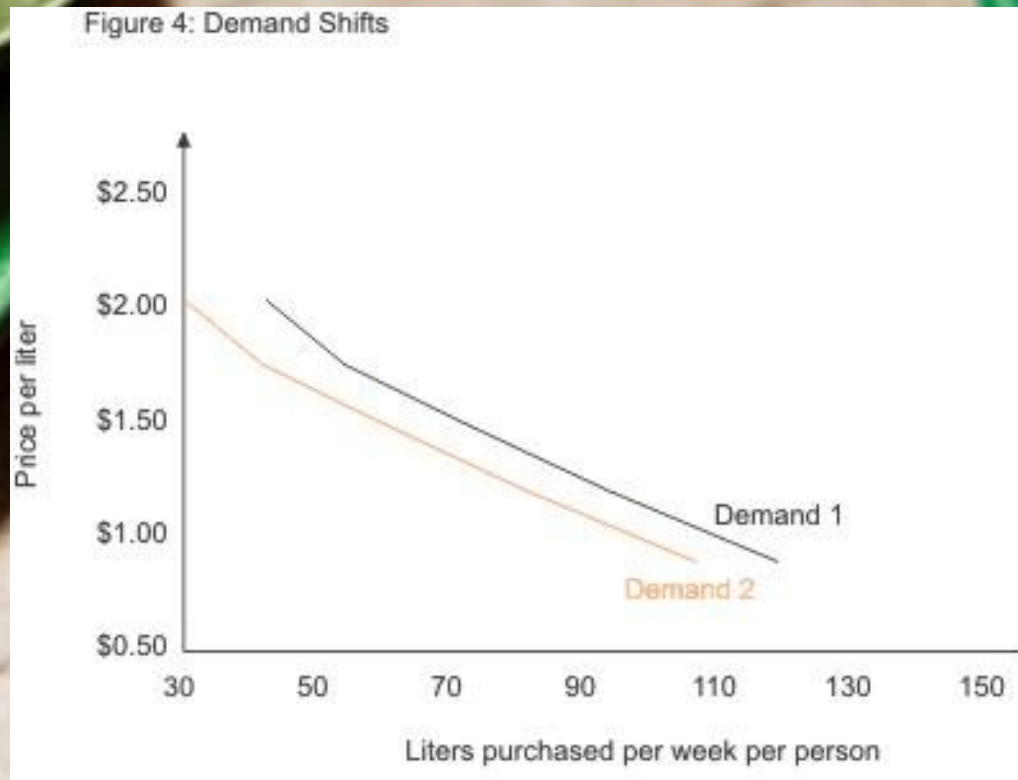
# In Class Activity: Using A Demand Curve

- Due to inflation the dollar is weaker and people do not want to spend as much on gasoline. On your other piece of graph paper plot the two demand curves (designate them D1 and D2)

Price per liter	Quantity (liters) per week	
	Demand 1	Demand 2
\$2.00	50	30
\$1.75	60	40
\$1.50	75	55
\$1.25	95	75
\$1.00	120	100

# In Class Activity: Using A Demand Curve

- In the new demand curve it is possible to see the shift in demand



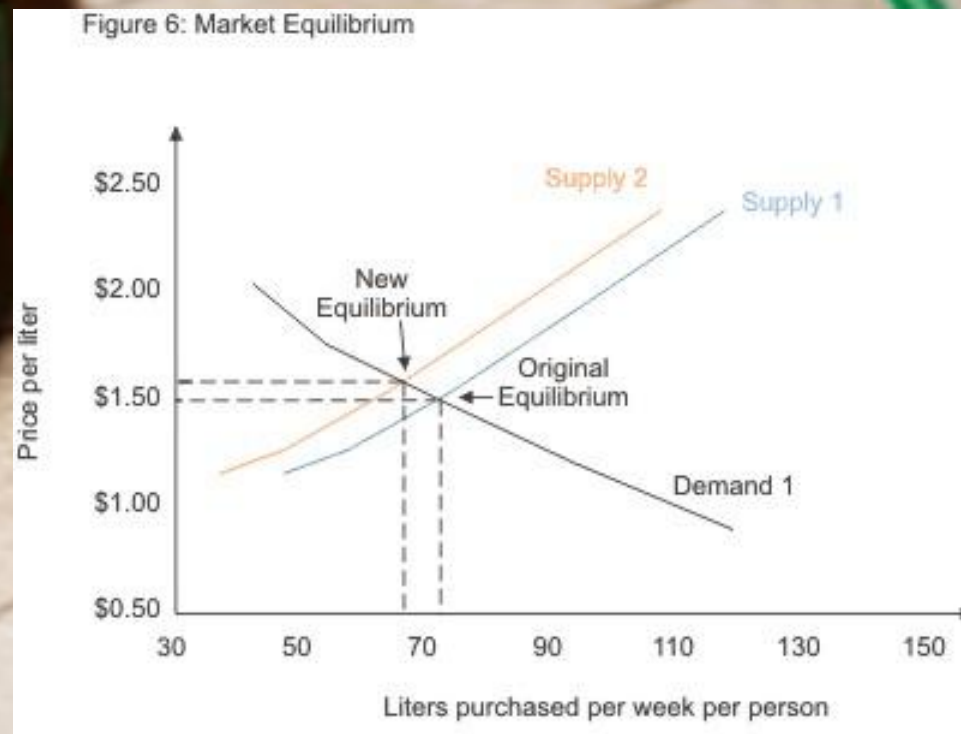
# In Class Activity: Using A Demand Curve

- Increases in the price of production have caused the prices to go up. Using the original demand curve track the changes in Equilibrium using the new numbers

Demand 1		Supply 1		Supply 2	
Quantity (liters) per week	Price per liter	Quantity (liters) per week	Price per liter	Quantity (liters) per week	Price per liter
50	\$2.00	50	\$1.20	40	\$1.20
60	\$1.75	60	\$1.30	50	\$1.30
75	\$1.50	75	\$1.50	65	\$1.50
95	\$1.25	95	\$1.75	85	\$1.75
120	\$1.00	120	\$2.15	120	\$2.15

# In Class Activity: Using A Demand Curve

- The result: We can see a clear change in the equilibrium between S1 and S2



# In Class Activity: Using A Demand Curve

- Using your data find out if there is a difference between the equilibrium S1 and S2 in how much the company will be making?



# Critical Thinking

- By raising the price of gas how will this impact consumers?
  - Try to come up with 7 possible results.