**Definition:** Quantity Demanded

\[ Q^D = \text{the amount of a good or service people reasonable desire to purchase (can afford) during a particular time at a particular price.} \]

---

Would you be willing to purchase the following package?

- Textbook
- i-Clicker
- APLIA

---

**The Demand Curve**

- **Price (P)** on the y-axis
- **Quantity (Q^D)** on the x-axis

---

**The "Law" of demand**

**Other things equal**, the higher the price of a good, the smaller the quantity demanded (Q^D)

(Latin: *Ceteris paribus* ... "other things equal")

---

**Shifts in D curve**

- income
- price of substitutes
- price of complements
- population, tastes, weather
- expected future prices
- quality of the product
Shifts in the Demand Curve

Price (P) vs. Quantity (Q^D)

2 common confusions

#1) Individual vs. Market demand

#2) Movement along vs. shift in D curve

Definition: Quantity Supplied

Q^S = the amount of a good or service suppliers will be willing and able to sell during a particular time at a particular price, ceteris paribus.

Would you be willing to sell your i>Clicker to the Economics Department at the end of the semester?

The Supply Curve

Price (P) vs. Quantity (Q^S)
The "Law" of supply

The higher the price of a good, the more producers will be willing to supply (Q^s), ceteris paribus.

Shifts in S curve

- price of inputs
- P of other goods produced
- expected future prices
- # suppliers
- technology

Shifts in the Supply Curve

Put Supply and Demand together

What if the price is too high?

Market equilibrium

Surplus
What if the price is too low?

Market equilibrium

DN: Market equilibrium

A Price and quantity at which there is no shortage or surplus

\[ Q^S = Q^D \]

Shifts in Supply and Demand can now be related to \( P \) and \( Q \)

<table>
<thead>
<tr>
<th>Shift</th>
<th>( P^* )</th>
<th>( Q^* )</th>
</tr>
</thead>
<tbody>
<tr>
<td>( S \rightarrow )</td>
<td>↓</td>
<td>↑</td>
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<tr>
<td>( \leftarrow S )</td>
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<td>( \leftarrow D )</td>
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The Four “Laws” of Demand and Supply

Examples

- Illegal drugs
- Kidneys
- Algebra
- Rent control -- a price ceiling
- The minimum wage -- a price floor