Econ chapter 4

demandthe desire to own something and the ability to pay for it

ie: a houselaw of demandconsumers buy more of a good when its price decreases and less when its price increases

ie: $1 slice of pizza you can buy two.. but would you buy two if a slice was $2? substitution effectwhen consumers react to an increase in a good's price by consuming less of that good and more of other goods

ie: finding old Jordan's vs buying the brand new pairincome effectthe change in consumption resulting from a change in real income

ie: luxury cardemand schedulea table that lists the quantity of a good a person will buy at each different price

ie: how does the market demand for pizza change when the price falls from $2. 50 to $1. 00 a slice? page 81market demand schedulea table that lists the quantity of a good all consumers in a market will buy at each different price

ie: page 82 how many slices of pizza does she demand when the price is $1. 50? demand curvea graphic representation of a demand schedule

ie: page 83 how is the market demand curve similar to Ashley's demand curveceteris paribusa Latin phrase that means " all other things held constant"

ie: When we counted the number of pizza slices that would sell as the price went up or down, we assumed that nothing besides the prize of pizza would change. normal gooda good that consumers demand more of when their incomes increase

ie: An increase in Ashley's income from $50 per week to $75 per week will cause her to buy more of a normal good at every price levelinferior gooda good that consumers demand less of when their incomes increase ie: used bookscomplementstwo goods that are bought and used together

ie: Ski boots and skissubstitutesgoods used in place of one another

ie: snowboards are a substitute for skis, because consumers will often buy one or the other, not both. elasticity of demanda measure of how consumers react to a change in price

ie: lemonade from . 25 cents to $25. 00inelasticdescribes demand that is NOT very sensitive to a change in price

ie: elasticdescribes demand that is very sensitive to a change in price

ie: unitary elasticdescribes demand whose elasticity is exactly equal to 1

ie: $2 for a magazine when the price raises 50% to $3 the newsstand will sell exactly half as many copies as beforetotal revenuethe total amount of money a firm receives by selling goods or services

ie: Pizzeria sells 125 slices of pizza per day at $2. 00 per slice, total revenue would be $250 per dayMarket demand schedule example pg 83 #6Cost to play a game Games played per month

$1. 50 350

$2. 00 250

$3. 00 140

$4. 00 80