

INTRO to DEMAND - Warm Up

Directions: Pretend you receive a weekly \$10 allowance. Although you might want to spend all \$10 on doughnuts, remember that your \$10 allowance must pay for all of your expenses during the week, such as soft drinks, ice cream, books, toys, movies, video games and donations. Record the number of doughnuts you would be willing and able to buy at each price during one week, using one week's allowance. Remember, if you are willing and able to buy a number of doughnuts at a certain price, you should be willing and able to buy at least this same number of doughnuts — and probably more — at any lower price.

Price per Doughnut	Able to Buy	Willing to Buy
\$1.50		
\$1.25		
\$1.00		
\$0.75		
\$0.50		
\$0.25		

Law of Demand

- ◆ Law of Demand – _____
- ◆ High Demand = _____
- ◆ Everyone has a set income, no matter what it is, the _____

Draw Arrows to help you understand:

If Prices Go Down.....Demand Goes _____

If Prices Go Up.....Demand Goes _____

Example

- ◆ How many slices of pizza would you buy if they cost \$1?
- ◆ What about \$3
- ◆ What about \$10
- ◆ _____.



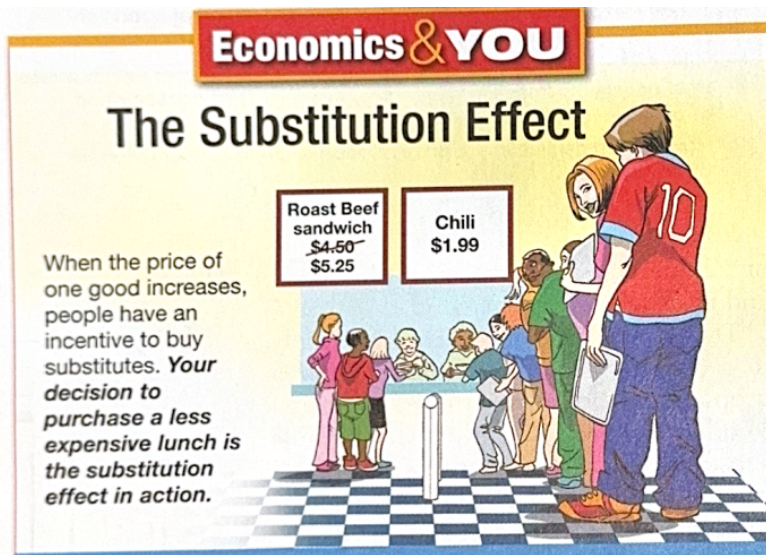
Elements of the Law of Demand

Certain elements can affect the law of demand

◆ **Substitution effect** – _____

(when it gets too expensive, _____)

If the price of Pizza Goes Up, what happens to your demand?



In this example: The price of the sandwich went up. Your demand for the sandwich went down. What is this going to do to the demand of Chili?

Income effect

Income effect – _____

(If the price rises, _____)

When Prices go up, consumers spend more money on things like, but demand less of it.

Pizza Slice goes from \$2 to \$4

Result:

Demand Schedule

- ◆ Make up a demand curve and _____

What is the difference between Individual Demand and Market Demand?

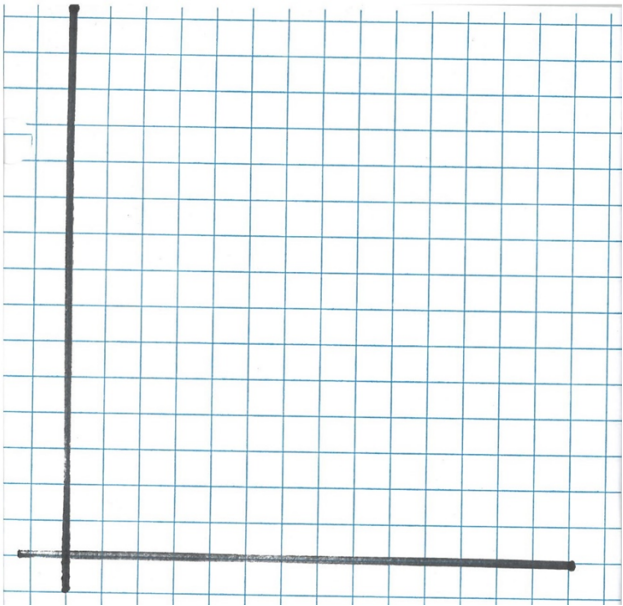
- ◆ The **substitution effect** and the **income effect** describe two ways that a consumer can change his or her spending patterns
- ◆ These _____

Demand Schedule Practice:

Individual Demand Schedule		Market Demand Schedule	
Price of a slice of pizza	Quantity demanded per day	Price of a slice of pizza	Quantity demanded per day
\$1.00	5	\$1.00	300
\$2.00	4	\$2.00	250
\$3.00	3	\$3.00	200
\$4.00	2	\$4.00	150
\$5.00	1	\$5.00	100
\$6.00	0	\$6.00	50

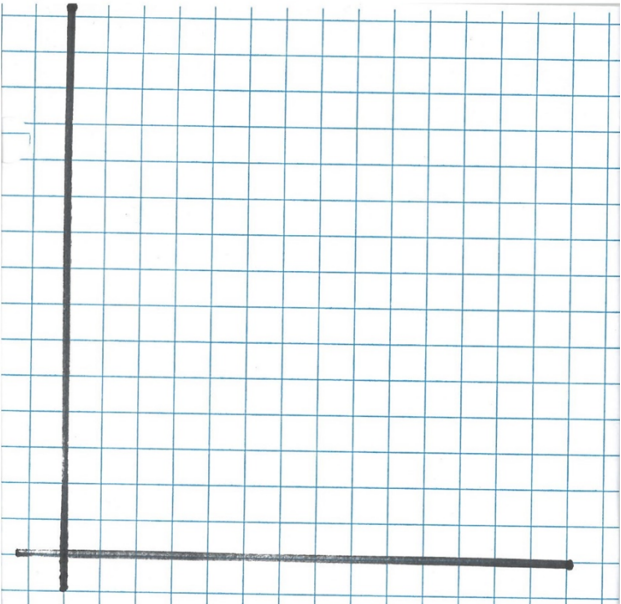
- 1) How does the market demand change when the price falls from \$3 to \$2 a slice?
- 2) What behaviors affect individual demand when pizza is \$6 per slice?

Let's Graph This into a Demand Curve



Market Demand Schedule	
Price of a slice of pizza	Quantity demanded per day
\$1.00	300
\$2.00	250
\$3.00	200
\$4.00	150
\$5.00	100
\$6.00	50

Create our Own Demand Schedule: Choose your own Good: _____

	Price of _____	Quantity Demand