

## TEACHER REFERENCE: Essential Economics Terms

### Unit 2: The Workings of a Market System

#### Lesson 1 and 2

Term	Definition	Example
Demand (D)	a schedule or curve that shows the various amounts of a product that consumers are willing and able to purchase at each of a series of possible prices during a specified period of time	Eric is willing and able to buy 5 cokes per week at a price of \$1, 10 at \$.50 and only 1 at \$5.
Law of Demand	quantity demanded varies inversely with price, other things constant, due to the law of diminishing marginal utility and the income effect	When the price of a Starbucks coffee is \$6.00, the quantity demanded is 45. When the price is \$4.00, the quantity demanded is 65.
Quantity Demanded (Qd)	How many units will be demanded at a particular price	The price of a Coke is \$2 and Sam buys three. Therefore three Cokes is the quantity demanded at \$2.
Change ( $\Delta$ ) in Quantity Demanded	Movement from one point to another on the demand curve reflecting that if the price falls, more quantity is demanded and less if price rises.	if the price of bottled water in the school vending machines increases from \$1 to \$5, students will demand only 10 bottles per week, whereas at \$1 they were willing to purchase 100 bottles per week
Change in Demand	A shift of the demand curve (an increase or decrease in demand) due a change in one or more of the determinants of demand causing people to buy more or less of the goods/services at the various prices	The demand for fresh berries has increased as a result of news that they may help prevent cancer—people are willing and able to buy more berries at set prices.
Determinants of Demand	Factors that can shift the demand curve, which include: <ol style="list-style-type: none"> <li>1. tastes, preferences, habits</li> <li>2. number of buyers</li> <li>3. income</li> <li>4. price and availability of complements</li> <li>5. price and availability of substitutes</li> <li>6. future expectations</li> </ol>	<ol style="list-style-type: none"> <li>1. the mini skirt is no longer fashionable</li> <li>2. the U.S. admits 1 million new immigrants</li> <li>3. autoworkers receive a 20% pay cut</li> <li>4. price of hot dogs increases, causing people to buy less hot dog buns</li> <li>5. price of hot dogs decrease, causing people to buy less hamburgers</li> <li>6. consumers expect a sharp increase in the price of cars in the Fall, causing them to demand more in the summer</li> </ol>