

The Law of Demand

Important Factors that Change Demand

DEMAND CURVE SHIFT



Objectives: Students will be able to:

- Define the law of demand.
- Explain how price affects demand.
- Read a demand schedule and use the data to graph a demand curve.
- Beside price, identify five factors that can change demand.
- Determine how the five factors increase or decrease demand.
- Explain why a demand curve may shift to the right or left.



The Law of Demand

SUPPLY AND DEMAND



Why does the newest Ipad model cost almost \$900 dollars but in six month they will cost only \$500? The price of an Ipad is determined by how many are made available (the supply) by the company as well as the amount demanded for the product by the consumer (the demand). It is this combination of supply and demand that determines the price of all goods or services.

The Law of Demand

The process for determining the price of a good or service starts with the **consumer's** (*people that buy goods and services*) demand for a good or service. **Demand** is simply the amount of a good or service that consumers are willing to buy. The **law of the demand** says that consumers are willing to buy more of something (*a good and service*) when prices go down. For instance, more people are willing to buy an Ipad when the price for the Ipad drops. When a good becomes cheaper, people see it as a deal and will want or demand more. The more the price drops, the higher the demand for the good. The opposite is true when the price of something goes up; people see it as expensive and are less likely to buy it.

Answer each question with a complete sentence on a separate piece of paper.

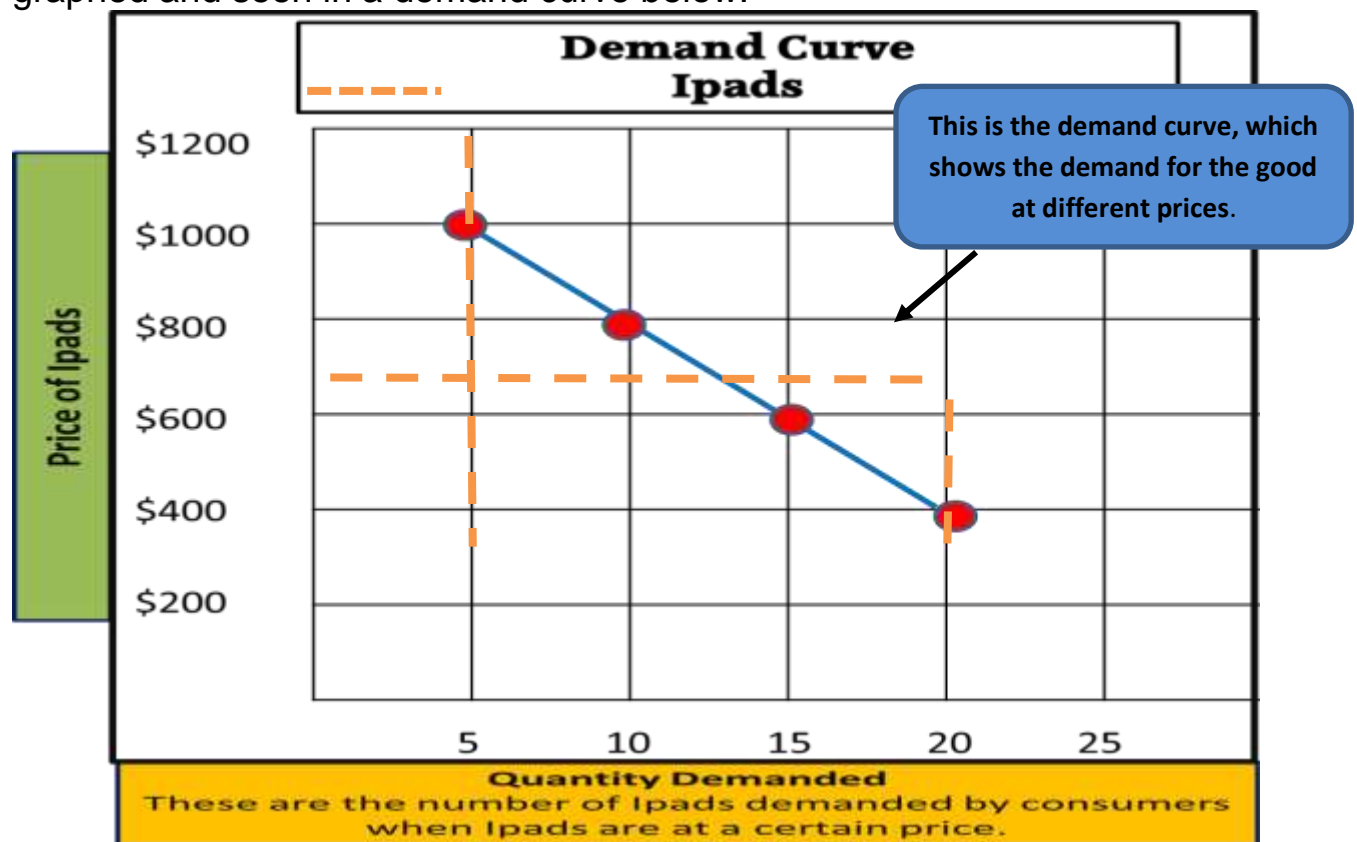
1. How is the price for an Ipad or any good determined?
2. Who are consumers?
3. What does demand mean?
4. What does the law of demand say?
5. If the price of a good or service increases what will happen to the demand for it?
6. What occurs with demand for a good when the price decreases?

What does Demand Look Like on a Chart and Graph?

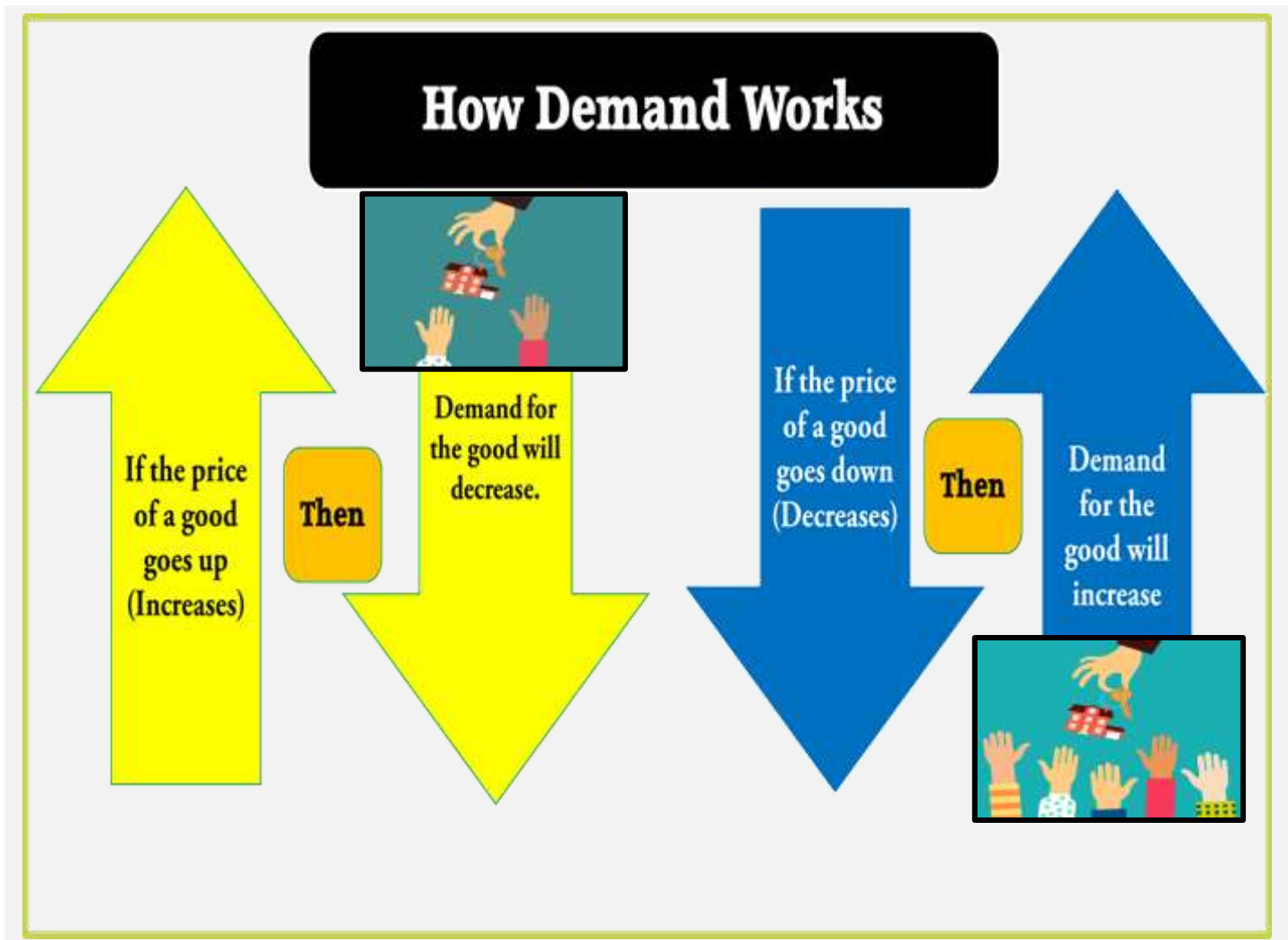
Interestingly, the law of demand can be shown with a chart and a graph. Below is a demand schedule chart for Ipads, which shows what the demand for the good would be at a certain price.

Demand Schedule for Ipads	
Price for One Ipad	Demand for Ipads
If the price of an Ipad is \$1000	5 people would demand it
\$800	10
\$600	15
\$400	20

If you look at the demand schedule, you can see that as the price of Ipads decrease, demand for them increases. This demand for the Ipad can be graphed and seen in a demand curve below.



When you look at the demand curve graph for Ipads, you will see that if Ipads cost \$1000 then people will only demand 5 Ipads. If prices of the Ipad decreases to \$400 then 20 people will demand an Ipad. Therefore, in this trend, one can see the law of demand taking place, “as prices decrease, demand increases.”



7. In which two ways can the law of demand be shown?
8. What does a demand schedule chart show?
9. If Ipads cost \$600 each, how many would be demanded by consumers?
10. As the price of Ipads decrease, what occurs with the amount demanded?
11. As the price of Ipads increase, what occurs with consumer demand?

Important Factors That Change Demand

DEMAND CURVE SHIFT

We have learned that the price of a good will affect the demand for it. However, besides price, there are several other things that can affect how much of a good will be demanded by consumers. These different factors may increase or decrease the demand for goods or services.

A Change in Income

A change in people's income can change demand. The more money people make, the more goods they are able to buy. An increase in people's income will often lead to an increase in demand. However, if incomes go down, consumers will buy less, which will lead to a decrease in demand.



Tastes of Consumers

Another important factor that affects the amount demanded for a good is people's tastes or likes. If a good is popular or considered fashionable, then the demand for the good will increase. When the newest Ipad first comes out, they are considered cool and fashionable, thus demand for them is high. If something is no longer popular or liked, then the demand for the good will decrease.

Population

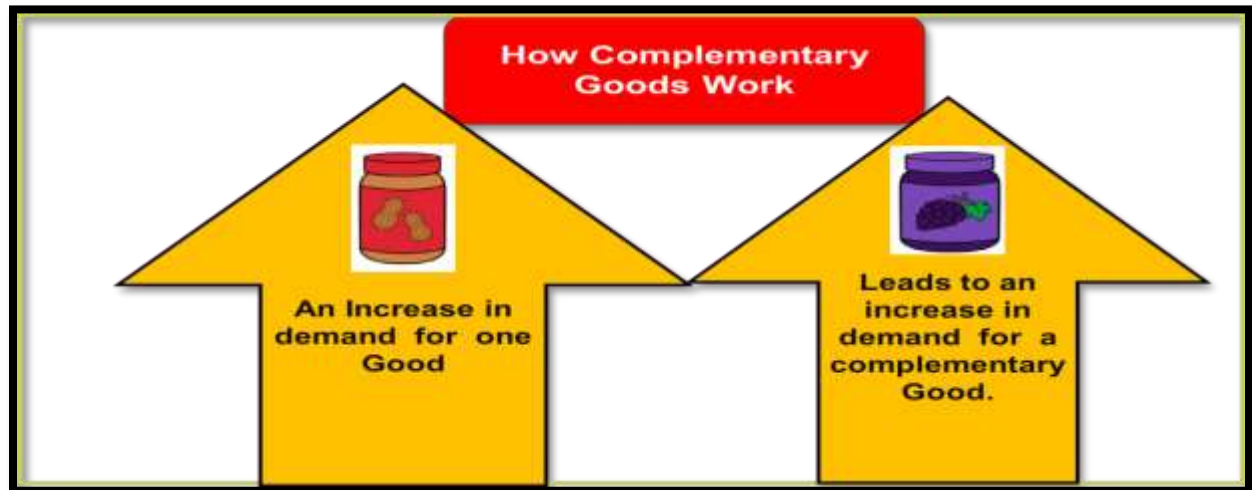
Population can also affect the demand for a good. If there is an increase in the number of people, then there will likely be an increase in demand.

Answer each question with a complete sentence on a separate sheet of paper.

1. Besides price, what five other factors can cause a change in demand?
2. What occurs with demand for a good when people's income rises?
3. If people's income declines or falls, what occurs with demand?
4. If a good becomes popular or fashionable, what will happen with demand?
5. What if people no longer like a good, what will happen with demand?
6. In which way would an increase in population affect demand?

Complementary Goods

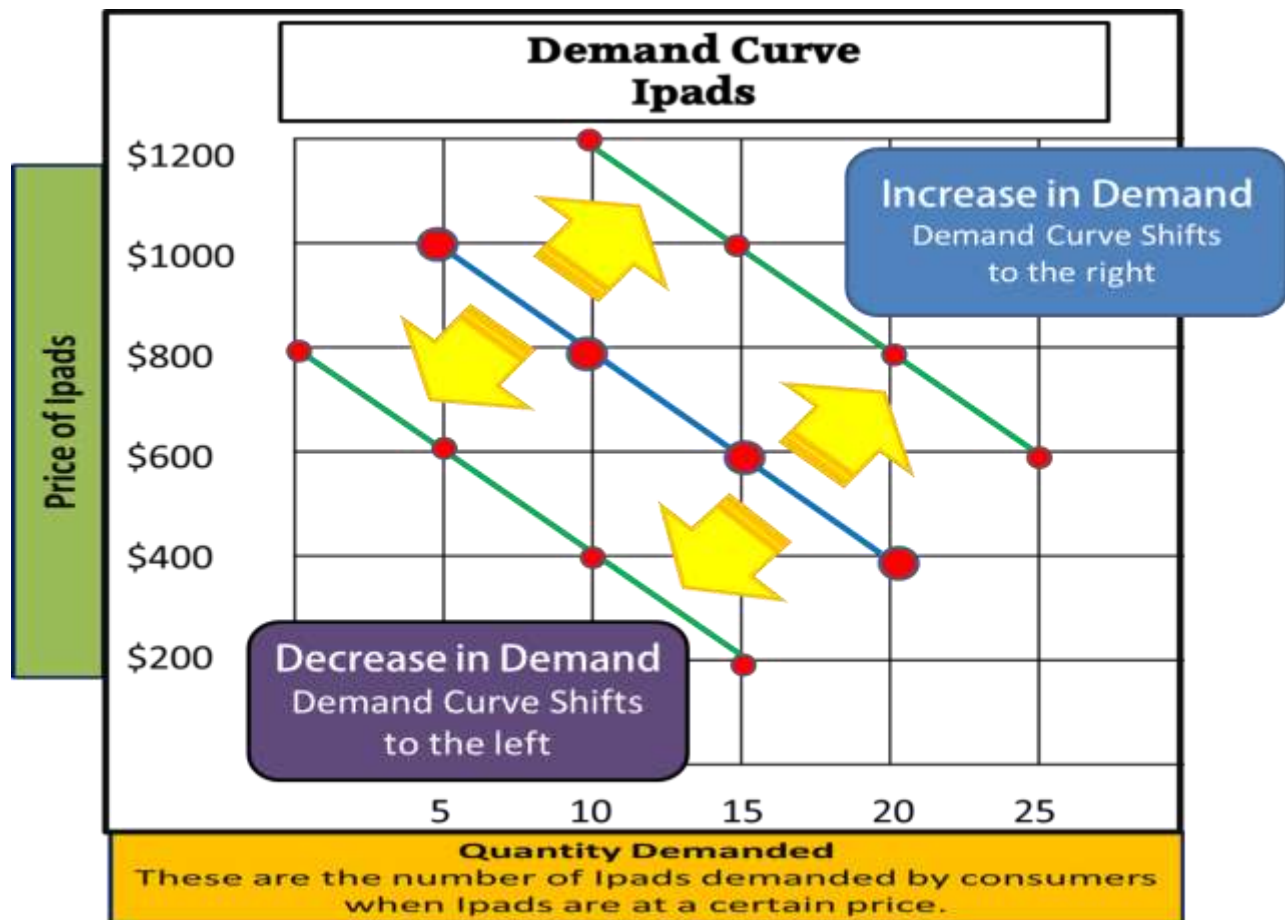
Complementary goods are goods that are used together. For example, peanut butter is often used with jelly. Another example would be ink cartridges are used with printers. If the demand for peanut butter decreases for some reason, then the demand for jelly will also decrease. If the demand for peanut butter increases, then the demand for jelly will also increase.



Substitute Goods

A substitute good is a good that can take the place of another good. For instance, people who drink a hot beverage like coffee can substitute it for tea if they need to. Or people who drink 7-Up can substitute it with Sprite. If the price of coffee goes up, people will begin to switch to drinking more tea, which increases the demand for tea and leads to a decrease in demand for coffee.





These Factors can Shift the Demand Curve

All of these factors can have an effect on the amount of a good demanded. Any change in the demand from these factors can be shown on a demand curve graph. **A change in demand will cause the demand curve to shift either to the right or left.** A shift to the left means there would be a decrease in demand, while a shift to the right would mean an increase in demand. The graph above shows the shift in demand.

7. What is a substitute good?
8. If the price for Sprite increases, what will happen with the demand for a substitute good like 7-UP?
9. What are complementary goods?
10. If demand for one complementary good like a printer decreases, what would happen with the demand for ink cartridges?
11. A change in what, will cause the demand curve to shift to the left or right?
12. When the demand curve shifts to the right, what occurs with demand?
13. When the demand curve shifts to the left what happens with demand?



Famous Jak's Donuts

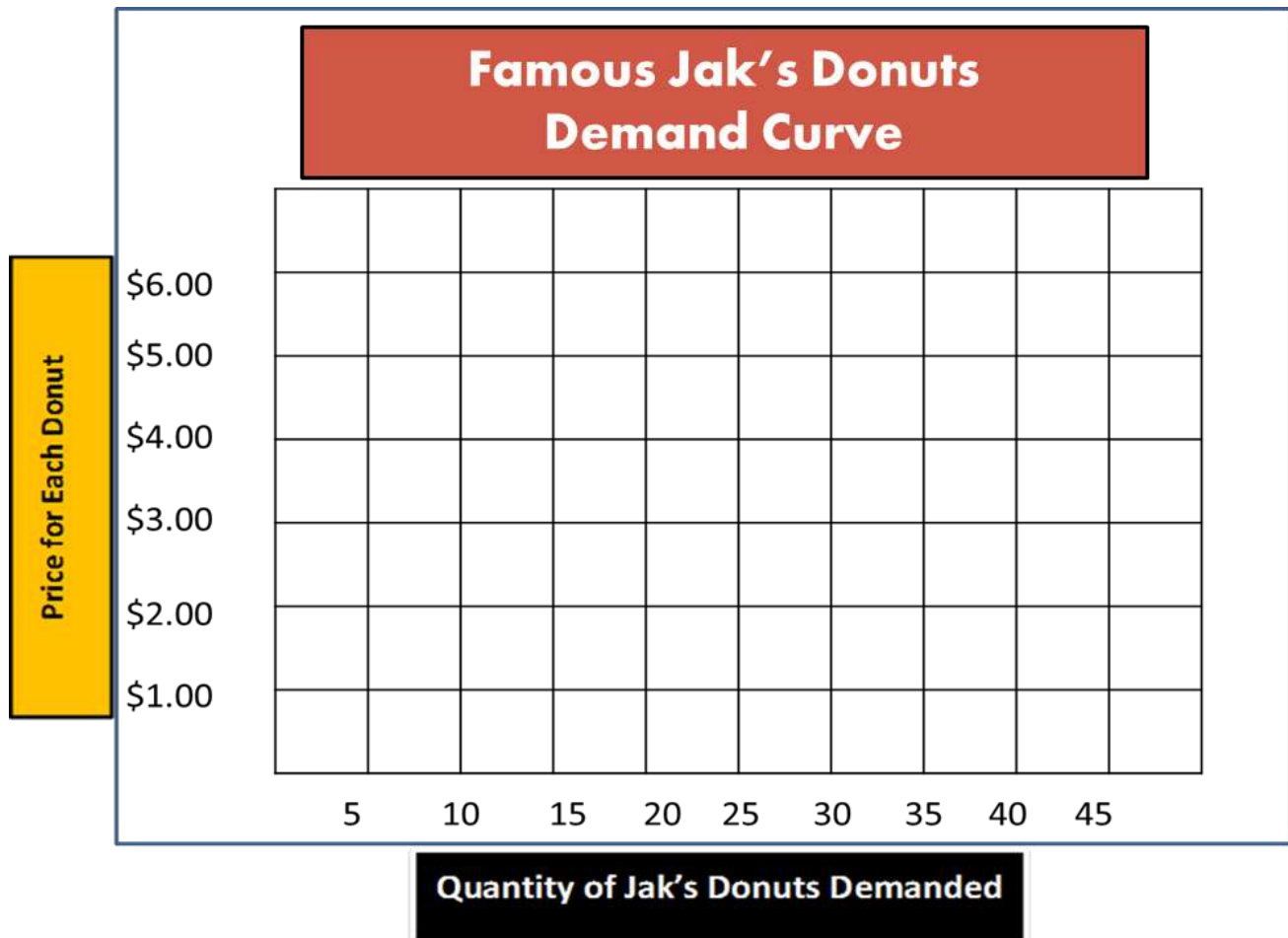
GRAPHING A DEMAND CURVE

Name _____

Per. _____ Date: _____

Directions: Using the demand schedule below, graph a demand curve for Famous Jak's Donuts in the blank graph and answer the related questions.

Demand Schedule for Famous Jak's Donuts	
Price for One of Jak's Donuts	Demand for Jak's Donuts
If the price for one donut is \$5	5 people would demand it
\$4	10
\$3	15
\$2	20
\$1	40





Famous Jak's Donuts

GRAPHING A DEMAND CURVE

Name _____

Per. _____ Date: _____

Directions: Using the demand curve graph for Famous Jak's Donuts answer the questions below.

1. If the price for one Famous Jak's donut is \$4.00, what will be the number of donuts demanded by consumers?
2. What if the price for a donut is \$3.00, how many will be demanded?
3. What if the price for a donut is \$1.00, how many will be demanded?
4. As the price for a donut decreases, what happens with the amount demanded?
5. As the price for a donut increases, what happens with the amount demanded?
6. What do you think would happen with demand, if the price of a donut was \$10?





Z-Shoes

LABELING THE DEMAND CURVE GRAPH AND SHIFT

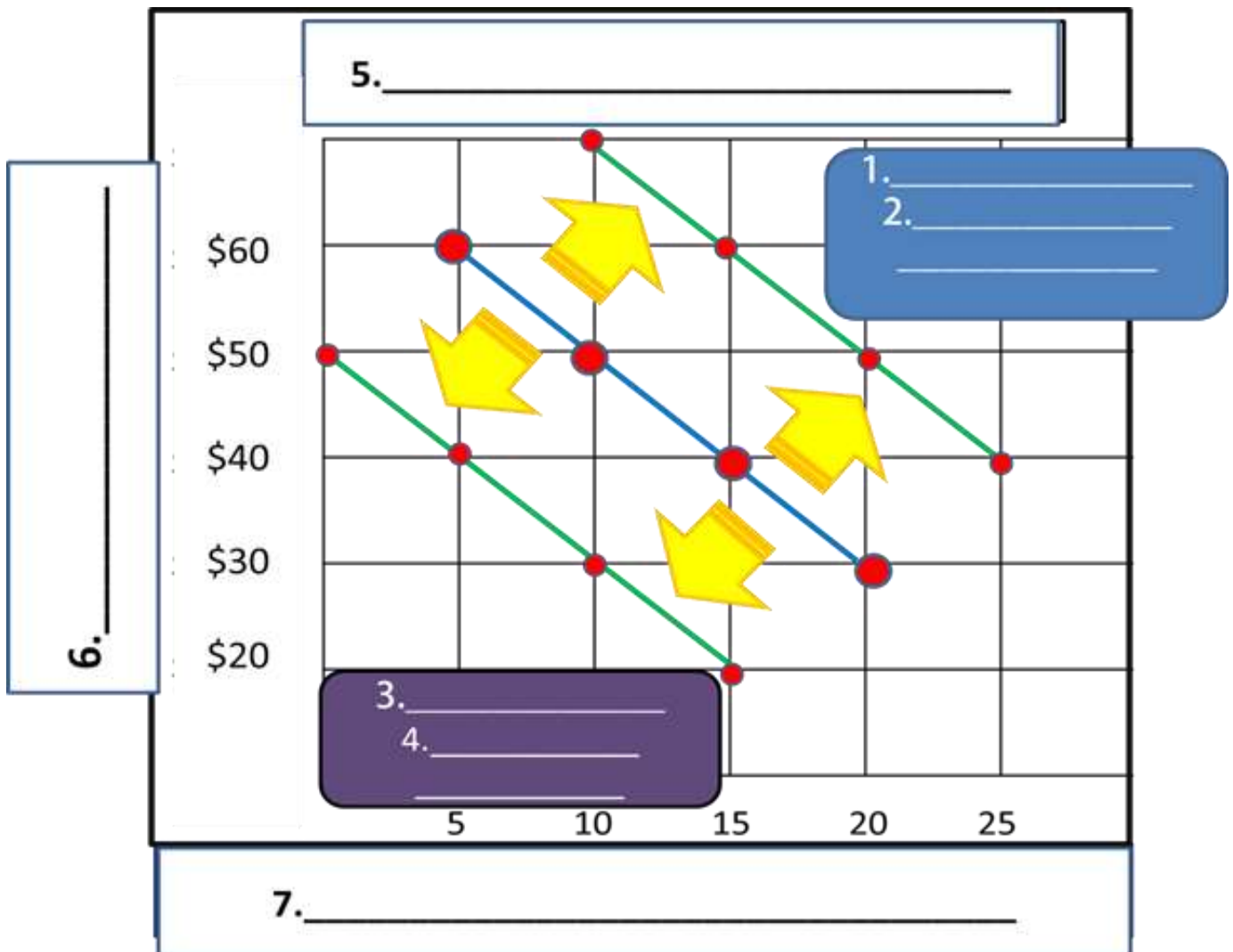
Name _____

Per. _____ Date: _____

Directions: Fill in the demand curve graph below, using the following clues.

Price One Pair of Shoes
Quantity Demanded for Z Shoes
Demand Curve Shifts to the Right
Demand Curve Shifts to the Left

Z Shoes -Demand Curve
Increase in Demand
Decrease in Demand





Z-Shoes

LABELING THE DEMAND CURVE GRAPH AND SHIFT

Name _____

Per. _____ Date: _____

Directions: Answer the following questions using the Z-Shoe demand curve graph and what you have learned about demand.

1. If Z-Shoes cost \$40, what would the demand be for them?
2. What does the law of demand state about a decrease in price?
3. Beside price, what are five factors that can change demand for Z-Shoes?
4. If people's income increases, what would most likely occur with the demand for Z-Shoes?
 - a. Would an increase in people's income shift the demand curve for Z-Shoes to the right or left?
5. What would occur with demand for Z-shoes if people's taste changed and people preferred to wear sandals instead?
 - a. Would this change in taste, cause the demand curve to shift to the right or left?
6. What might be a substitute good for Z-Shoes?





Little John's Burgers

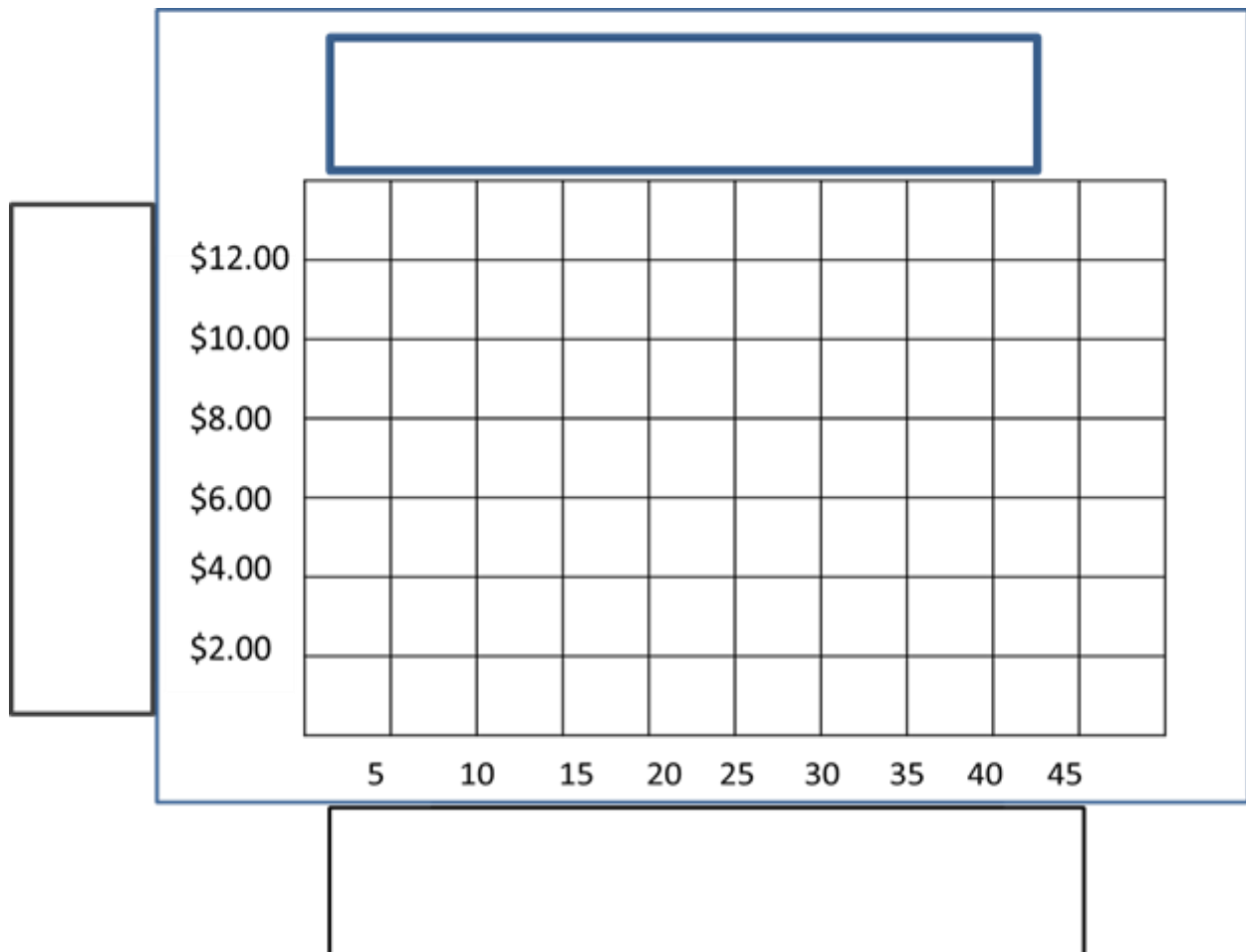
DEMAND CURVE GRAPH

Name _____

Per. _____ Date: _____

Directions: Using the following demand schedule, create a demand curve graph. Make sure to label all parts of the graph and answer the related questions.

Demand Schedule for Little John's Burgers	
Price for One of Little John's Burgers	Demand for Little John's Burgers
\$ 12	10
\$10	15
\$ 8	25
\$ 6	30
\$ 4	40





Little John's Burgers

DEMAND CURVE GRAPH

Name _____

Per. _____ Date: _____

Directions: Using the demand curve graph you created for Little John's Burgers and the information you have learned about demand, answer the following questions.

1. What would the demand for Little John's burgers be if the price for one burger was \$10?
2. What would be the demand if the price for one burger was \$4.
3. As the price of John's burgers increases, what happens with the demand for them?
4. What happens with the demand for the burgers, if the price drops?
5. If people's income increases, what would happen with the demand for John's Burgers?
 - a. Would this cause the demand curve to shift to the right or left?
6. What would happen with the demand for burgers if people's tastes changed and people preferred to eat healthier?
 - a. Would this cause the demand curve to shift to the right or left?
7. What would occur with the demand for Little John's burgers, if there was a large increase in the population around John's restaurant?
 - a. Would this cause the demand curve to shift to the right or left?



ASSESSMENT

The Law of Demand

Name _____

Per. _____ Date: _____

Select the best answer.

1. What determines the price of a good or service?

- a. Demand only
- b. Supply only
- c. Supply and Demand
- d. None of the above

2. Consumers are

- a. people that sell goods and services.
- b. people that buy goods and services.
- c. people that consume food.
- d. None of the above.

3. Demand means

- a. the amount of a good or service that consumers are willing to buy.
- b. is the amount of a good or service produced.
- c. is the price that is demanded by consumers.
- d. None of the above.

4. What does the law of demand say

- a. consumers will buy less of something when the price goes down.
- b. consumers will buy more of something when price increases.
- c. consumers will buy more of something when prices decrease.
- d. None of the above.

5. If the price of a good or service increases, what will happen to the demand for it?

- a. increase.
- b. decrease.
- c. stay the same.
- d. nobody knows.

6. In which way can demand be shown, with

- a. a demand schedule chart.
- b. a demand curve graph.
- c. using the formula $D + E = DE$
- d. A and B.

7. A factor that can change the amount demanded for a good would be

- a. income
- b. population
- c. tastes
- d. All of the above.

8. If a good becomes popular or fashionable, what will happen with the demand for the good?

- a. Decrease
- b. Stay the same
- c. Increase
- d. None of the Above

9. In regard to substitute goods, if the price of Sprite increases, what will happen with the demand for a substitute good like 7-UP?

- a. Increase
- b. Decrease
- c. Stay the same
- d. None of the Above

10. If demand for one complementary good like a printer decreases what would happen with the demand for ink cartridges?

- a. Increase
- b. Decrease
- c. Stay the same
- d. None of the Above

substitute goods	demand
complementary goods	consumer

Select the best term for each:

11. _____ the amount of a good or service that consumers are willing to buy.
12. _____ is a good that can take the place of another good.
13. _____ are goods that are used together.
14. _____ people that buy goods and services.

True or False

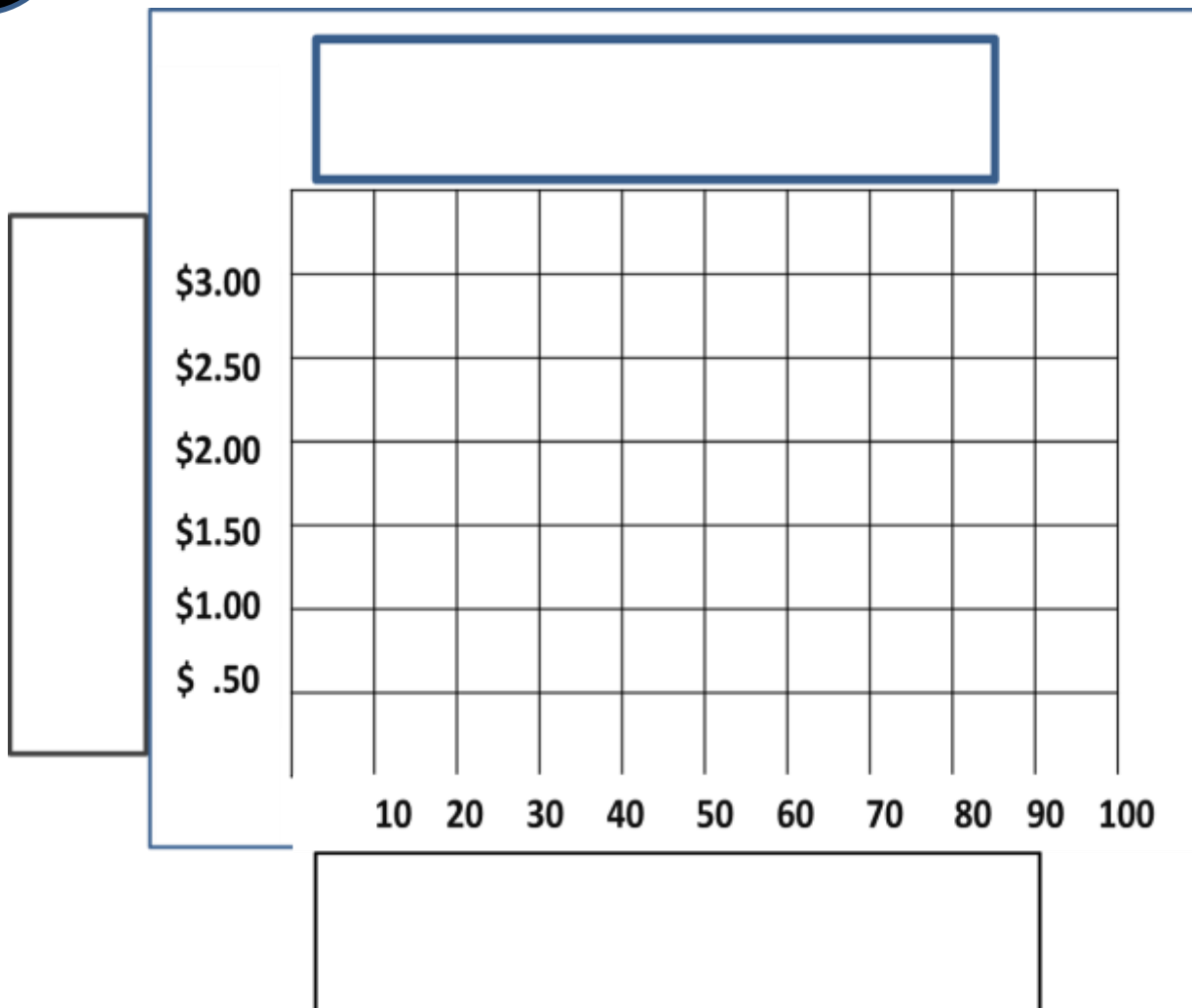
15. _____ When a good becomes cheaper, people often see it as a deal and will demand more.
16. _____ When the price for a good increases, then people will demand more of it.
17. _____ Besides price, there are other factors such as income, taste, and substitute goods that can change the demand for a good or service.
18. _____ The demand curve can only shift in one direction.



Directions: Using the following demand schedule for Jane's Cookies, create a demand curve graph. Make sure to label all parts of the demand curve graph.

Demand Schedule for Jane's Cookies	
Price for One of Jane's Cookies	Demand for Jane's Cookies
\$ 2.50	10
\$ 2.00	20
\$ 1.50	40
\$ 1.00	60
\$.50	100

19.



20. Beside price, what would be one factor that might cause a decrease in demand for Jane's cookies?

21. Would this decrease cause the demand curve to shift to the right or left?