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Chapter-4

- Supply and demand are the forces that make market economics work.

- Modern microeconomics is about supply, demand and market equilibrium.

- A market is a group of buyers and sellers of a particular good or service.

  Supply and demand == behavior of people.

  - Buyers determind demand
  - Sellers determine supply

- A competitive market is a market in which there are many buyers and sellers so that each has a negligible impact on the market price.

- There are two types of economics
  - Market economics → Creates inequality/Capitalizm/decentralized decision
  - Command economics →

Competative market এর বৈশিষ্ট্য

- Many buyers & Sellers
- Sell same product / identical product
- Indivitual buyer cannot influence the price.

(*) price taker → যারা price set করে

changer → যারা price নেয়

Oligopoly

↳ Few sellers

↳ Competition is not always aggressive

- Oligopoly যখন সব seller এক হয়ে যায় তখন সেটা monopoly হয়ে যায়।

- যেটা কেনার সক্ষমতা আছে সেটা Demand

- যেটা কেনার সক্ষমতা নেই সেটা wants

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Quantity demand:-

Quantity demand is the amount of a good that buyers are willing and able to purchase.

The law of demand states that, other things equal, the quantity demanded of a good falls when the price of the good rises.

(*) What do you mean by demand schedule / curve?

Ans:- The demand schedule is a table that shows the relationship between the price of the good and the quantity demanded.

What is market demand?

Ans:- Market demand refers to the sum of all individual demands for a particular good or service

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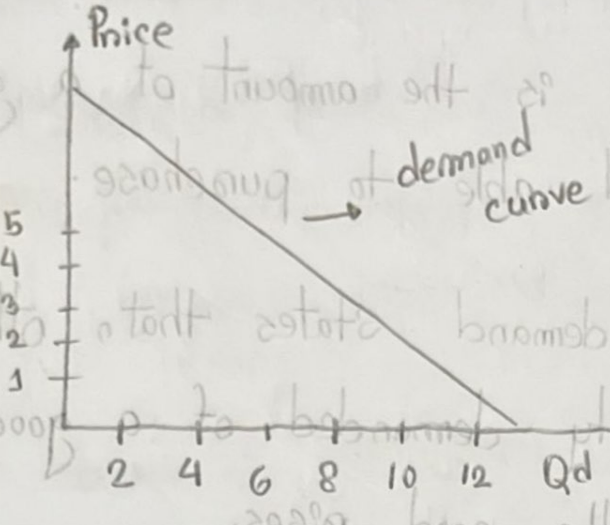


Price - dependent variable.

Quantity

- Demad curve is always downward sloping because it has ~~a~~ tradeoff.

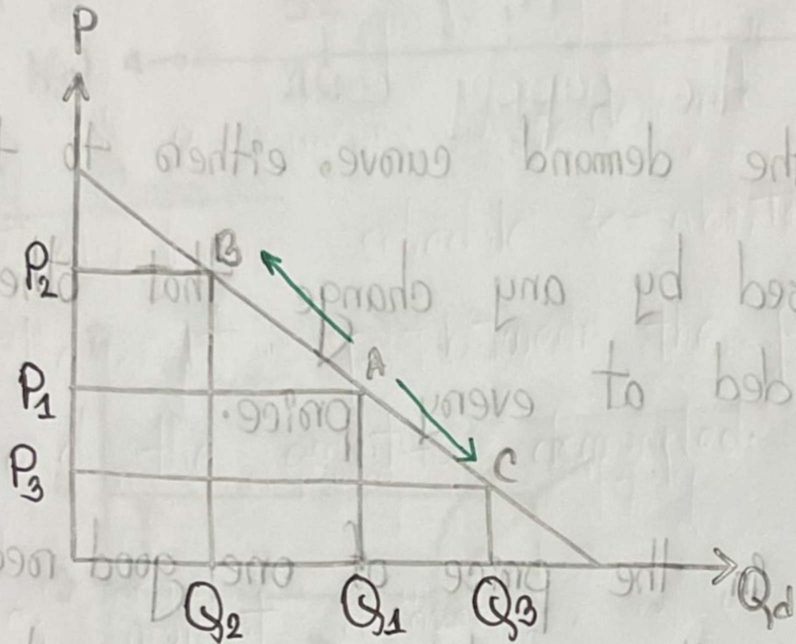
What are the factors that influence the demand of an indivitual curve?

Ans- • Price of the good itself

- Income of consumer
  → Normal goods → Income ↑ → demand ↑
  " ↓ → " ↓
  → Inferior goods → Income ↑ → demand ↓
  " ↓ → " ↑
- Price of the related goods → Substitude / Compliments
- Taste & Preference

- Weather
- Govt Policy → Tax / Subsidy
- Expected Future Price
- Expected Future ~~Pr~~ income
- No. of buyers

Movement along the demand curve (Price of good itself)



movement along the demand curve depends on only price itself, here other things are constant.

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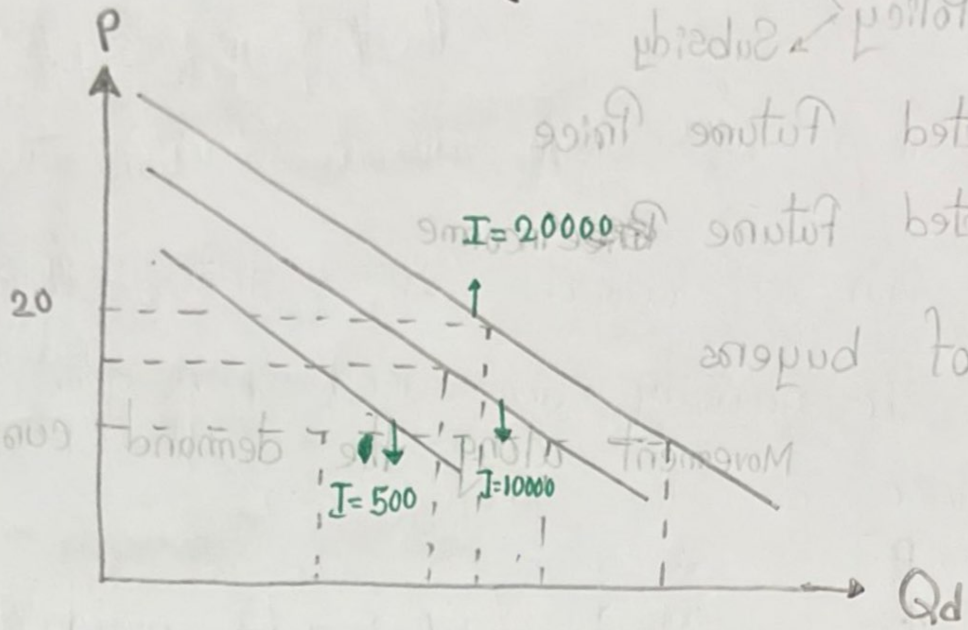
Shifts in the curve (change in demand)



A shift in the demand curve, either to the left or right caused by any change that others the quantity demanded at every price.

- When a fall in the price of one good reduces the demand for another good, the two goods are called substitutes.

- When a fall in the price of one good increases the demand for another good, the two goods are called ~~complements~~. complements.

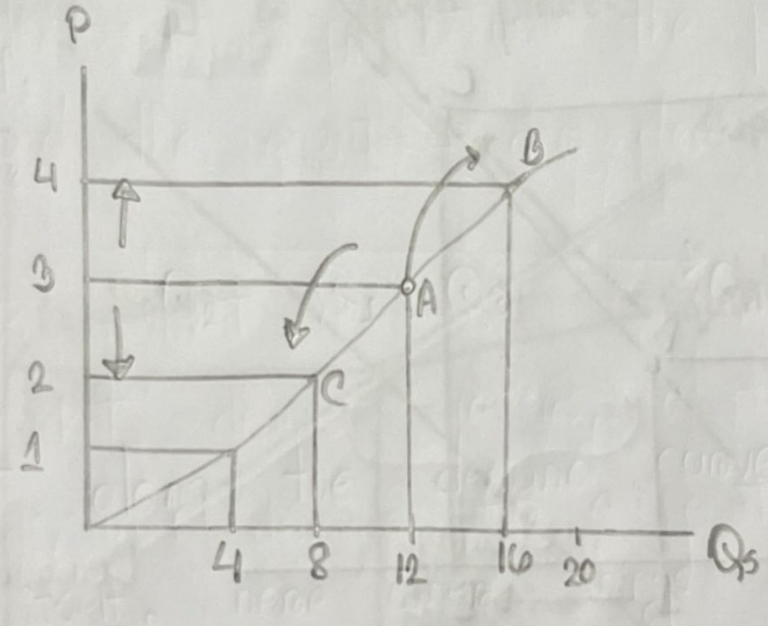
Supply

law of supply:– Price ↑ → Demand ↑ / Price ↓ → Demand ↓

Supply schedule:–

P	Q_s
0	0
1	4
2	8
3	12
4	16

Supply Curve:–



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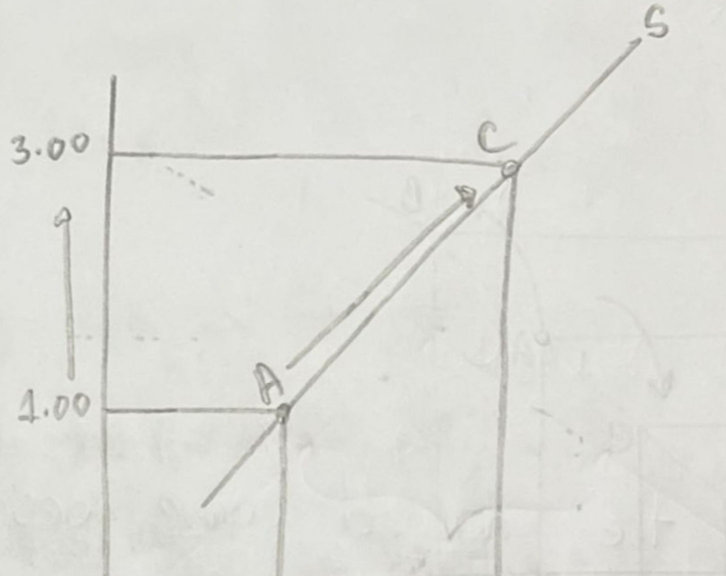
Determinants of supply:-

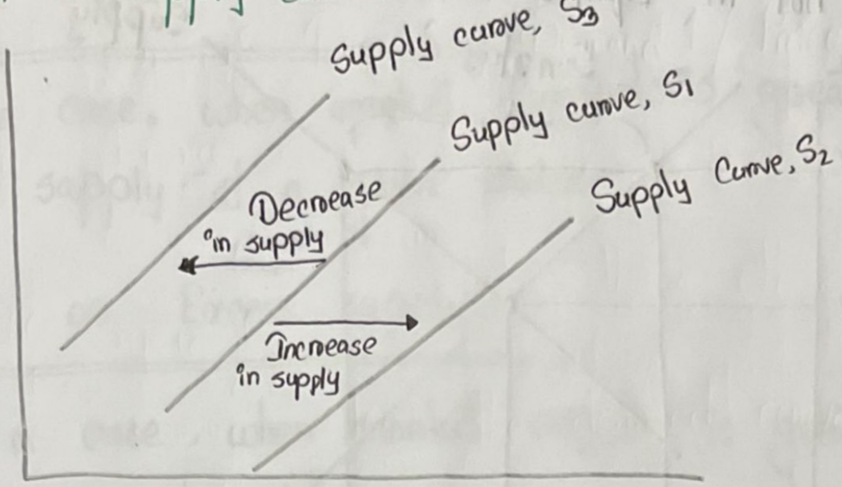
- price of good itself
- input prize (minimum wage law)
- Technology
- weather
- Govt policy → Tax, → Subsity

Movement along the supply curve



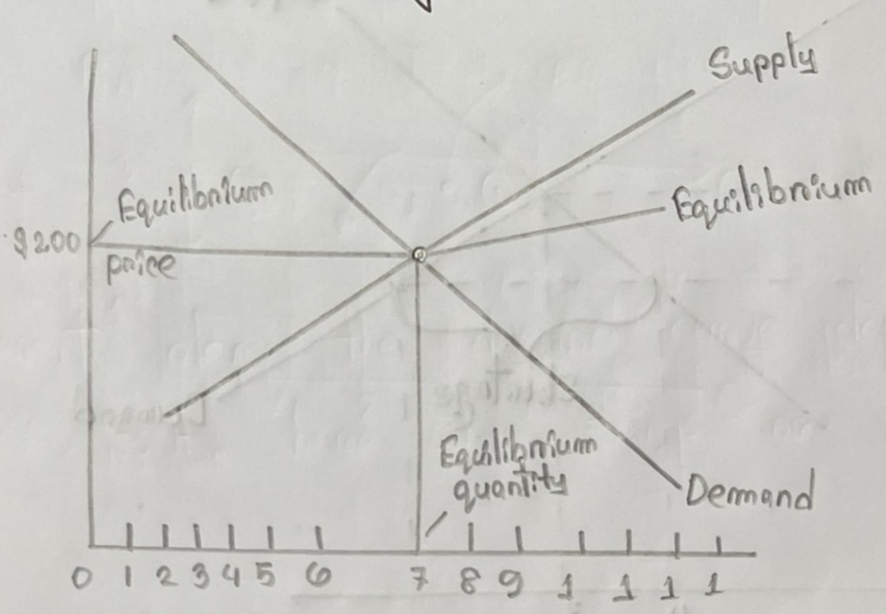
- Movement along the supply curve.
- Caused by a change in anything that alters the quantity supplied at each price.

Shift in the supply curve:-



E. Market Equilibrium:

it is a situation when market demand == market supply at a given price.



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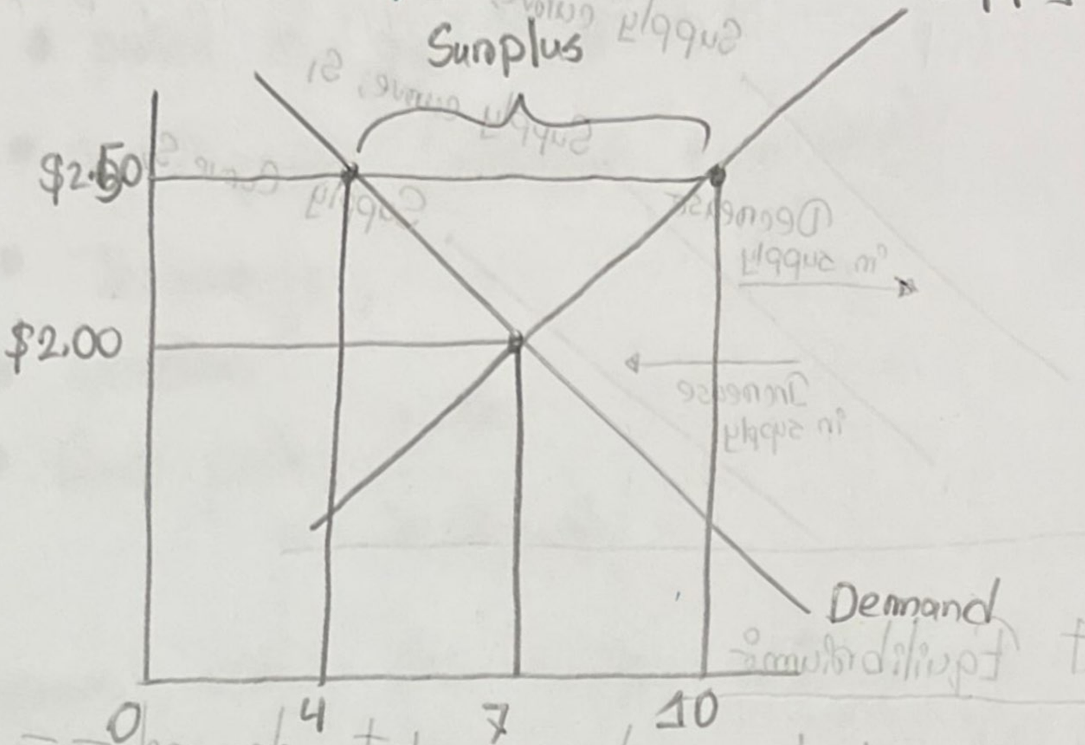
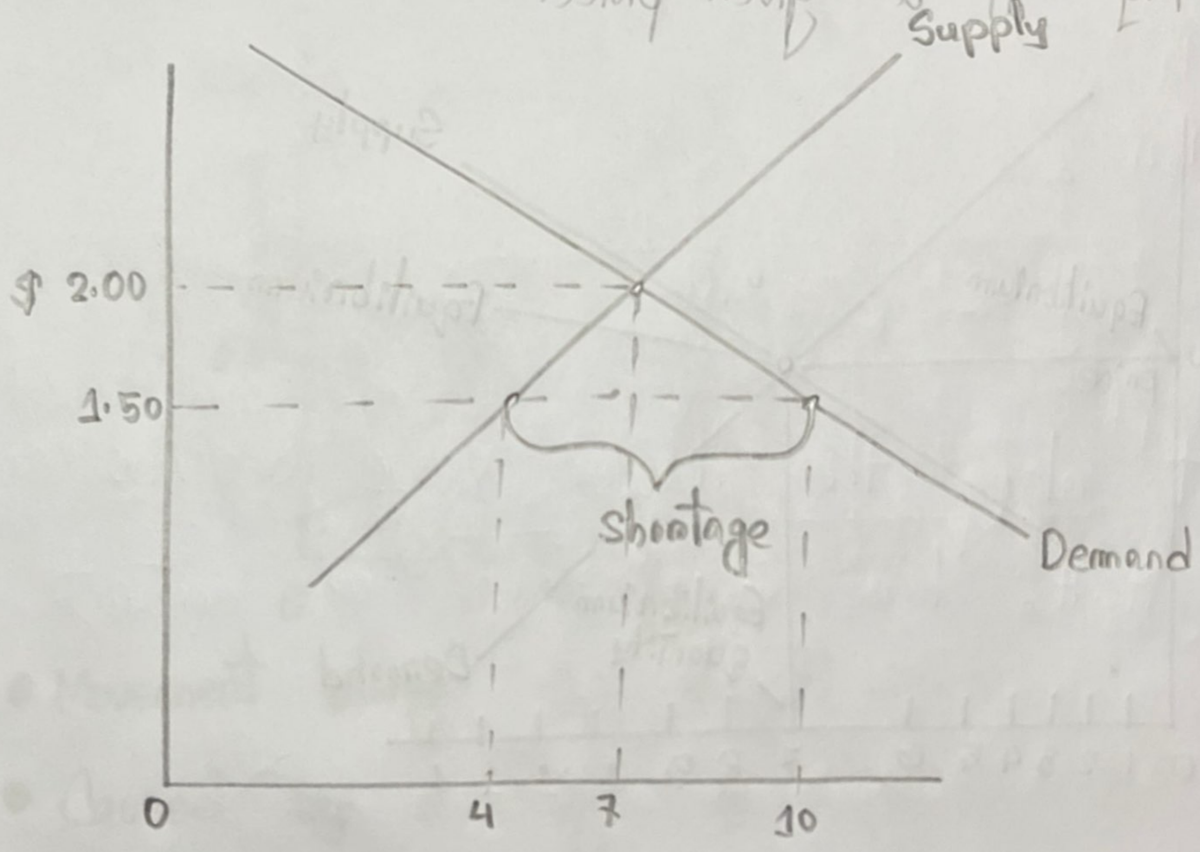
Market not in Equilibrium:-





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Shortage or Excess demand:-

It is a case, when market demand is greater than market supply at a given price.

Surplus or Excess supply:-

It is a case, when market supply is greater than market demand, at a given price