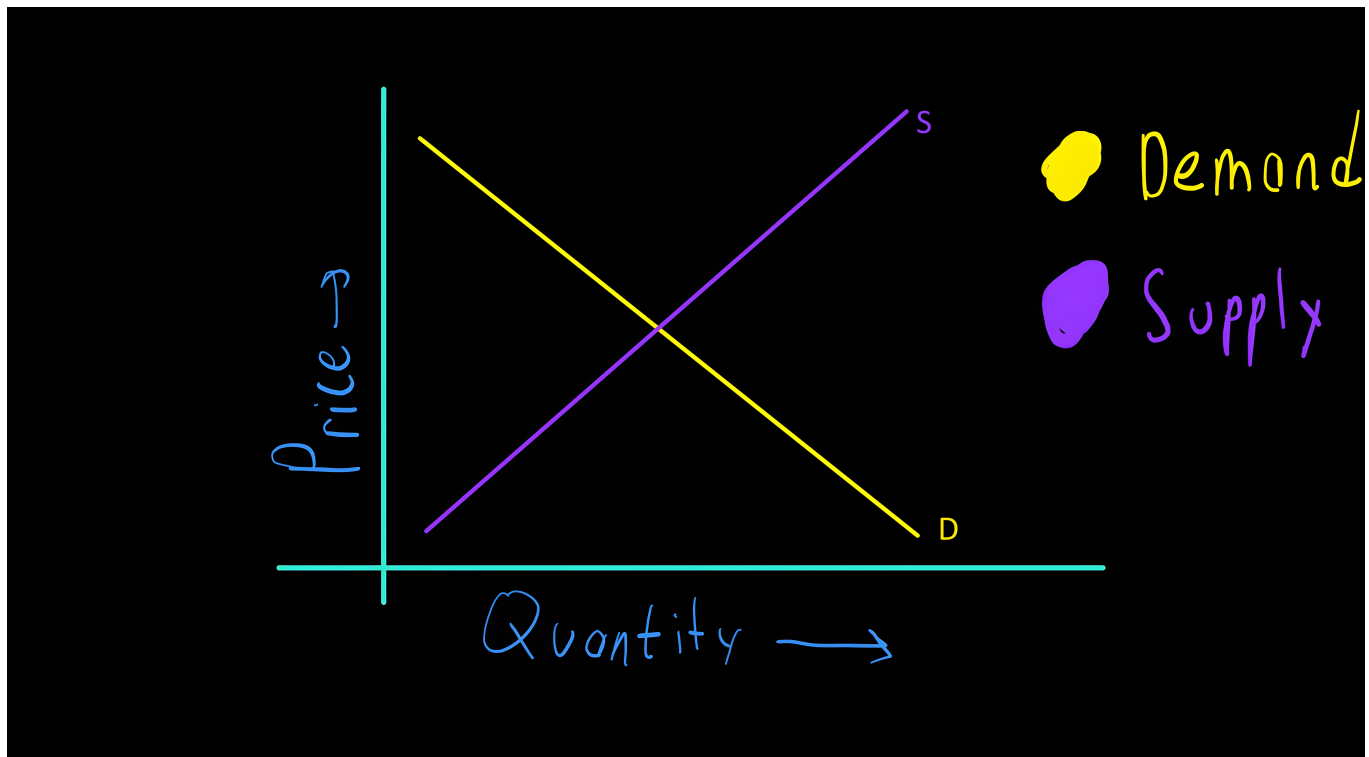


Supply and Demand



Law of Demand

As the price of a good rises, the quantity of the good consumers are willing and able to buy will decrease.

Why will it decrease?

1. Substitution Effect -- Changes in price motivate consumers to buy relatively cheaper substitute goods.
2. Income Effect -- Changes in price affect the purchasing power of consumers' income.
3. Law of Diminishing Marginal Utility -- buyers consume a good, each additional unit consumes provides less utility (satisfaction)