

Guided Reading Activity

Demand

Lesson 2 Factors Affecting Demand

Review Questions

Directions: Read each main idea and respond to the questions or statements below. Refer to your textbook as you write the answers.

A. A Change in the Quantity Demanded

Main Idea: Price changes quantity demanded because it affects how wealthy consumers perceive themselves to be and it affects the price of a good or service in relation to other similar products.

1. Define a change in quantity demanded, and describe what causes it.

2. Explain how the income effect can make customers feel richer and, therefore, more likely to purchase greater quantities.

3. How is the substitution effect different from the income effect?

4. How do substitution effects and income effects affect the demand curve?

Guided Reading Activity *cont.*

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B. A Change in Demand

Main Idea: Factors other than price can change demand.

1. What causes the demand curve to shift to the right? To the left?

2. Why would consumer income change demand?

3. Explain how consumer tastes affect demand.

4. Describe the relationship between demand for a product and demand for its substitutes.

5. Describe the relationship between demand for a product and demand for its complement(s).

6. Can expectations change the demand for products? Why or why not?

Guided Reading Activity *cont.*

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7. Why would the number of consumers in a market shift the demand curve left or right?

Summary and Reflection

Directions: Summarize the main ideas of this lesson by answering the questions below.

What aspects of demand can a business control? What can't it control? What can producers do with information about the demand curve, as well as information about trends affecting changes in demand, to spur growth?
