**Week 5: Demand and Supply I**

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## 1. Price System

The **price system** refers to the way prices act as signals that guide economic decisions regarding production, distribution, and consumption of goods and services. It is central to how market economies allocate resources.

**Types of Price Systems:**

- **Free Market Price System:** Prices are determined by the forces of demand and supply without government interference.
- **Controlled Price System:** Government regulates prices to avoid inflation, protect consumers, or support local industries.
- **Mixed Price System:** A combination of free market and government control. Common in most economies today.

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## 2. Law of Demand

The **Law of Demand** states that, **ceteris paribus** (all other things being equal), the higher the price of a good, the lower the quantity demanded, and vice versa.

**Key Points:**

- **Inverse relationship** between price and quantity demanded.
- Illustrated using a **demand curve** that slopes downward from left to right.

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## 3. Demand Schedule

A **demand schedule** is a table that shows the quantity of a commodity that consumers are willing and able to purchase at different price levels.

**Example: Individual Demand Schedule**

| Price (₦) | Quantity Demanded (Units) |
|---|---|
| 10 | 5 |

| Price (₦) | Quantity Demanded (Units) |
|---|---|
| 8 | 10 |
| 6 | 15 |
| 4 | 20 |
| 2 | 25 |

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**4. Demand Curve**

The **demand curve** is a graphical representation of the demand schedule. It is typically **downward sloping** from left to right, illustrating the inverse relationship between price and quantity demanded.

**Features of the Demand Curve:**

- Downward slope
- Assumes other factors affecting demand (e.g., income, taste, etc.) are constant
- Can be drawn for an individual or for the entire market

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**Factors Affecting Demand (Demand Determinants):**

Though not fully covered until a later lesson, these are worth noting:

- Income of consumers
- Price of related goods (substitutes and complements)
- Tastes and preferences
- Population size
- Future expectations