## Key Terms

ceteris paribus

other things being equal

complements

goods that are often used together so that consumption of one good tends to enhance consumption of the other

consumer surplus

the extra benefit consumers receive from buying a good or service, measured by what the individuals would have been willing to pay minus the amount that they actually paid

deadweight loss

the loss in social surplus that occurs when a market produces an inefficient quantity

demand

the relationship between price and the quantity demanded of a certain good or service

demand curve

a graphic representation of the relationship between price and quantity demanded of a certain good or service, with quantity on the horizontal axis and the price on the vertical axis

demand schedule

a table that shows a range of prices for a certain good or service and the quantity demanded at each price

economic surplus

see social surplus

equilibrium

the situation where quantity demanded is equal to the quantity supplied; the combination of price and quantity where there is no economic pressure from surpluses or shortages that would cause price or quantity to change

equilibrium price

the price where quantity demanded is equal to quantity supplied

equilibrium quantity

the quantity at which quantity demanded and quantity supplied are equal for a certain price level

excess demand

at the existing price, the quantity demanded exceeds the quantity supplied; also called a shortage

excess supply

at the existing price, quantity supplied exceeds the quantity demanded; also called a surplus

factors of production

the resources such as labor, materials, and machinery that are used to produce goods and services; also called inputs

inferior good

a good in which the quantity demanded falls as income rises, and in which quantity demanded rises and income falls

inputs

the resources such as labor, materials, and machinery that are used to produce goods and services; also called factors of production

law of demand

the common relationship that a higher price leads to a lower quantity demanded of a certain good or service and a lower price leads to a higher quantity demanded, while all other variables are held constant

law of supply

the common relationship that a higher price leads to a greater quantity supplied and a lower price leads to a lower quantity supplied, while all other variables are held constant

normal good

a good in which the quantity demanded rises as income rises, and in which quantity demanded falls as income falls

price

what a buyer pays for a unit of the specific good or service

price ceiling

a legal maximum price

price control

government laws to regulate prices instead of letting market forces determine prices

price floor

a legal minimum price

producer surplus

the extra benefit producers receive from selling a good or service, measured by the price the producer actually received minus the price the producer would have been willing to accept

quantity demanded

the total number of units of a good or service consumers are willing to purchase at a given price

quantity supplied

the total number of units of a good or service producers are willing to sell at a given price

shift in demand

when a change in some economic factor (other than price) causes a different quantity to be demanded at every price

shift in supply

when a change in some economic factor (other than price) causes a different quantity to be supplied at every price

shortage

at the existing price, the quantity demanded exceeds the quantity supplied; also called excess demand

social surplus

the sum of consumer surplus and producer surplus

substitute

a good that can replace another to some extent, so that greater consumption of one good can mean less of the other

supply

the relationship between price and the quantity supplied of a certain good or service

supply curve

a line that shows the relationship between price and quantity supplied on a graph, with quantity supplied on the horizontal axis and price on the vertical axis

supply schedule

a table that shows a range of prices for a good or service and the quantity supplied at each price

surplus

at the existing price, quantity supplied exceeds the quantity demanded; also called excess supply

total surplus

see social surplus