

CH 2- Supply and Demand

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Info – Definition

Demand: want, but you have the money & will 100% spend the money if someone offers to sell at that price you Demand

- What are the things that affect demand?
 - Price of the good P
 - Price of other goods P_o
 - Information: (i.e. monetary policies) I
 - Purchasing power of consumers M
 - Government policy G

The equation of q_d , quantity demanded:

$$q_d = -P + P_o + I + M - G$$

Graphical representation:

where q_d is on the x -axis and P on y -axis

If another variable changed and we can obtain the new change in q_d , results in a shift of the curve to left or right.

Changes however on P will be along the curve.

The slope of demand curve is given by the coefficient in front of P and it tells us the elasticity of demand → sensitivity of demand to price.

(i.e. $q_d = 100 - P$)

