­­­­­Model of Supply and Demand

Perfect competitive market (Main assumption)

* Many buyers and sellers
* All firms selling identical products
* No barriers to new firms entering the market

Demand side of market

* Quantity demanded
* Demand schedule
* Demand curve
* Market demand
* Demand function
* Demand is generally viewed as a flow

What affects the demand

* Income
* Price of related goods
* Tastes
* Population and Demographics
* Expected future prices

General demand function

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Shifts in Demand vs. Movements along a Demand

* Shifts in Demand
  + Is caused by a non-own price change
* Movement along a Demand
  + Is caused by an own price change

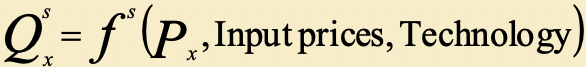
Supply side of market

* Quantity supplied
* Supply schedule
* Supply curve
* Supply function

What affects the supply

* Price of Inputs
* Technological change
* Price of Substitutes in Production
* Number of firms in the market
* Expected future prices

General supply function

* 

Effects of Demand and Supply Shift on Equilibrium

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My understanding:

1. many buyers and sellers.

Yes, it does require a lot of sellers and buyers, otherwise there would be no competition.

1. all firms selling identical products.

Yes, it does require a lot of sellers and buyers, otherwise there would be no competition.

1. no barriers to new firms entering the market.

We can't create any obstacles for the new company, because it will prevent competition in the market.

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My Understanding:

1. Income: When income is high or low, consumers' purchasing power changes.
2. Price of Related Goods: If we want to buy apples, but the price of peaches will be lower, we may choose to buy more peaches instead of apples.
3. Tastes: People are willing to pay for things or services they like.
4. Population and Demographics: Just as the Western diet is rich in meat such as burger chips and steak, the Eastern diet is rich in vegetables and pasta.
5. Expected Future Prices: If the price of something like apples or salt increases in the next year, people tend to buy more and store it this year.

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Text

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My understanding:

1. Price od inputs: Yes, the cost price affects the actual sale price, because sellers need a profit.
2. Technological change: To a great extent, production technology affects the quantity, price and demand of products.
3. Price of Substitutes in Production: As with the iPhone and Android phone, if the price of the iPhone is too high, demand for android phones will be high.
4. Number of firms in the market: More companies means more products and more competitors, and supply and price will be affected due to competition.
5. Expected Future prices: If the price of something like apples or salt increases in the next year, people tend to buy more and store it this year. Text

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Question for Next Class

Diagram

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Price of services increase -> Quantity of services decrease