Remind: @phuecon20
Instagram: @phueconomics

Welcome back to Economics Club!

11/4/2020 General Meeting

T-Shirt Designs

- Submit all of your designs (front only!) to PHUECONOMICS@GMAIL.COM
  - Scanned drawing :)
- Be Creative!
- You get 1 membership point for 1 design
- You get 2 membership points for 1+ designs

National Economics Challenge Sign-ups

- The deadline to fill out the google form for the National Economics Challenge is 12/2/2020.
- We highly encourage everyone to participate! It is free to compete and you get 5 membership points for participating!
  - Check the chat for the link :)
- We will form teams before winter break & create separate Microsoft Teams channels for each team! This way, teams can study outside of our club meetings and communicate with each other.

What we're going to cover today!

- Demand
  - Law of demand
  - Quantity demanded
  - Shifters of Demand
  - Reasons for a downward sloping curve

Demand

What is Demand?

- Demand is the different quantities of goods that consumers are willing and able to buy at different prices.
  - Example: You are able to purchase diapers, but you aren't willing to buy them then you do not demand them.
- Quantity Demanded is the quantity of a good that people are willing to buy at a particular price at a particular point in time.

What is the Law of Demand?

- There is an INVERSE relationship between price and quantity demanded.

Why does the Law of Demand occur?

The law of demand is the result of three separate behavior patterns that overlap:

1. The Substitution effect
2. The Income effect
3. The Law of Diminishing Marginal Utility

Why does the Law of Demand occur?

1. The Substitution Effect

- If the price goes up for a product, consumers purchase less of that product and substitute it with another product.
    - Coke vs. Pepsi

2. The Income Effect

- If a product's price decreases, the consumers' purchasing power increases, allowing them to purchase more.

Why does the Law of Demand occur?

3. Law of Diminishing Marginal Utility

- Utility = Satisfaction
- The more you buy of ANY GOOD the less satisfaction you get from each new unit consumed.
- Therefore, consumers are only willing to buy more, if the price falls.

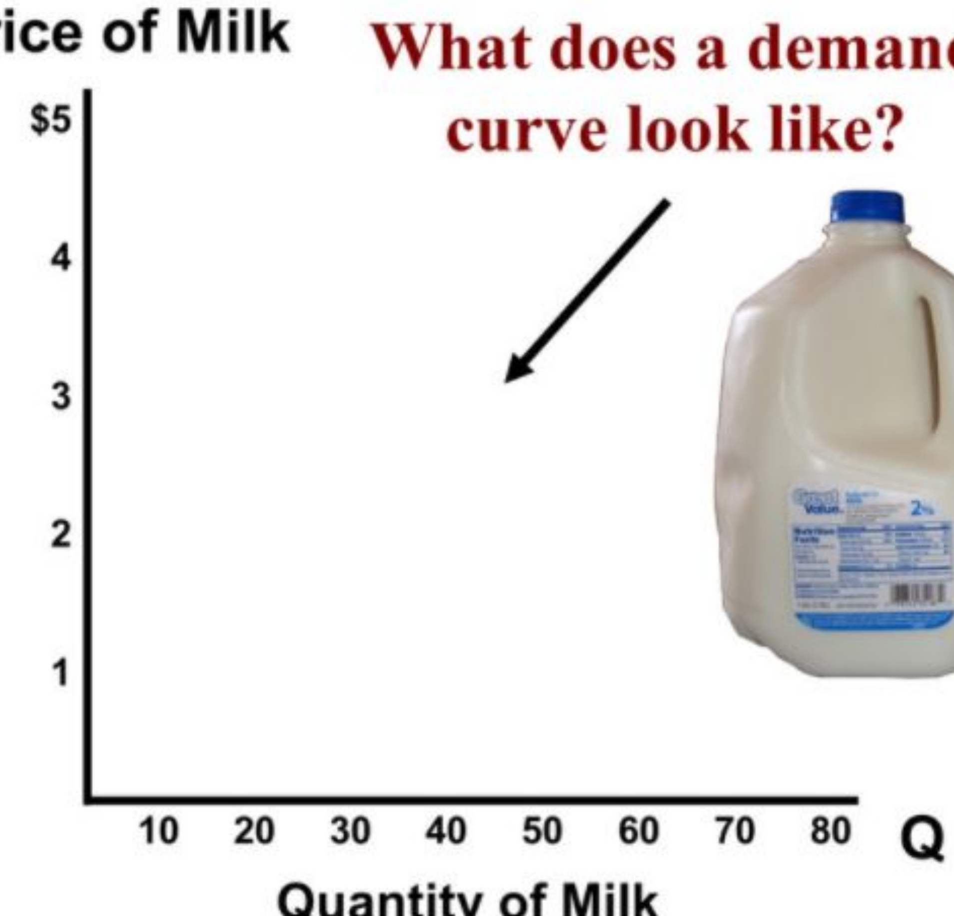
Graphing Demand

- A demand curve is a graphical representation of a demand schedule.
- The demand curve is downward sloping, showing the inverse relationship between price (on the y-axis) and quantity demanded (on the x-axis).
- When reading a demand curve, assume all outside factors, such as income, are held constant. (This is called *ceteris paribus*).

GRAPHING DEMAND

Demand Schedule

Price	Quantity Demanded
$5	10
$4	20
$3	30
$2	50
$1	80



What does a demand curve look like?

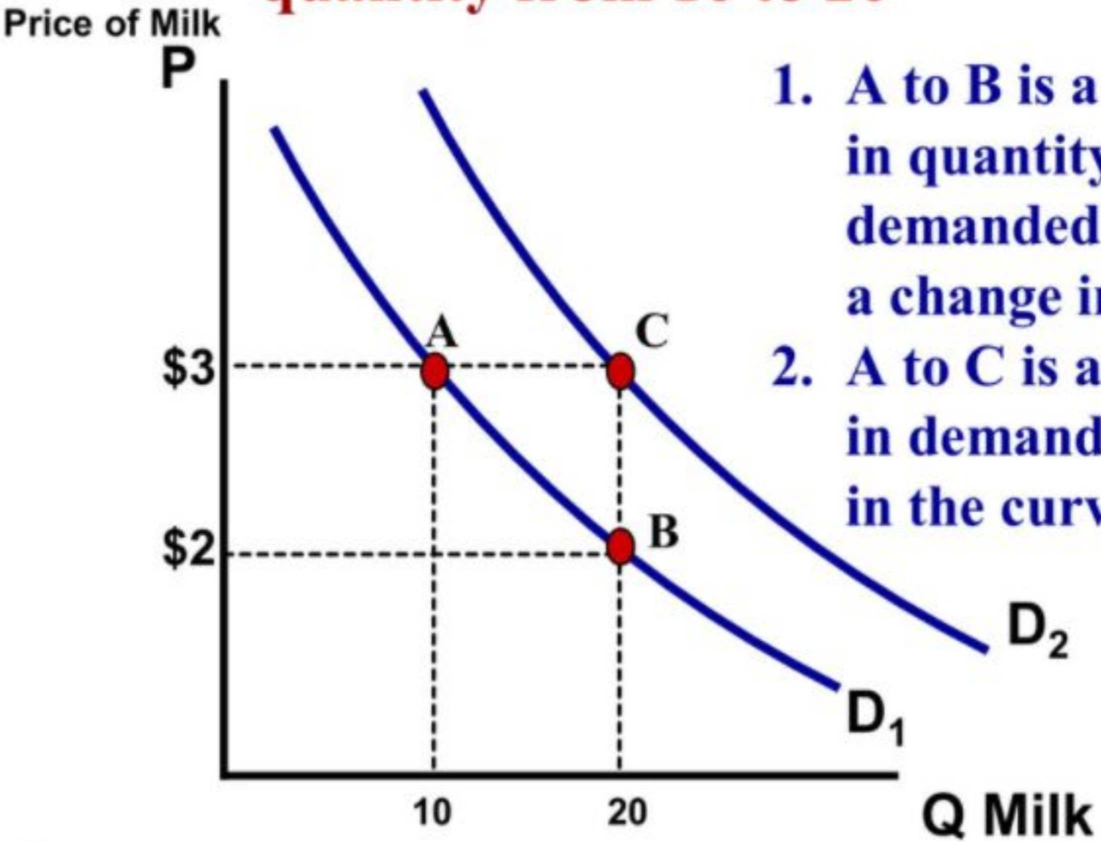
GRAPHING DEMAND

Demand Schedule

Price	Quantity Demanded
$5	10
$4	20
$3	30
$2	50
$1	80

Change in Qd vs. Change in Demand

There are two ways to increase quantity from 10 to 20



1. A to B is a change in quantity demanded (due to a change in price)
2. A to C is a change in demand (shift in the curve)

5 shifters of Demand

Remember the acronym TRIBE.

T- tastes/preferences: Any number of things that can suddenly make consumers buy more or less of a product at every price.

R- related goods/services: If substitutes (similar goods) are cheaper, consumers will be less willing to pay more for the good. If complements (things bought with the good) are cheaper, customers will be willing to pay more.

I- income: For some goods, an increase in consumer income increases demand; these are normal goods. For other goods, an increase in consumer income decreases demand; these are inferior goods. (Ex. A college town wage increase shifts demand for instant noodles (inferior) to the left since students can now afford better meals)

5 shifters of Demand cont.

B- buyers (number of buyers): If there are more people who demand a good, demand will increase, or shift to the right. If there are less people who demand a good, demand will shift left or decrease.

E- expectations of price: If something leads consumers to believe the price of a good is about to go up, demand will increase as they will buy the good before the price increases. If the price of a good is about to decrease, demand will decrease wince consumers will wait till the price of the good has dropped to buy it. (Ex. A car dealership has a sale July 4th, the week before, demand decreases since people wait till the sale to buy cars).

Thank you for coming!

Questions?

Suggestions?

Comments?

Concerns?

Website: phuhseconomics.weebly.com

BE SURE TO JOIN OUR REMIND!!!
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NEXT MEETING: 11/4/2020 via Teams