

# Module 2 — Demand (Ch. 2)

A **competitive market**: many buyers & sellers; individuals are **price takers** (no one can set price alone).

## Demand vs. Quantity Demanded

- **Quantity demanded**: the specific amount buyers buy at a given price (a point on the curve).
- **Demand**: the whole relationship between price and quantity demanded (the curve/schedule).
  - **Price change** → movement along the demand curve (change in quantity demanded).
  - **Non-price change** → demand curve shifts (change in demand).

## Demand Schedule & Demand Curve

- **Demand schedule**: table of price → quantity demanded.
- **Demand curve**: graphical representation (often downward sloping).

## Law of Demand

- **Ceteris paribus**: as **price rises**, **quantity demanded falls**; as **price falls**, **quantity demanded rises**
- Intuition: **Diminishing marginal utility**, each additional unit gives less extra benefit, so willingness to pay falls with quantity.
- **Marginal utility declines** with each additional unit → consumers pay less for more units → demand slopes downward.

## Demand Shifters (Determinants of Demand)

When any of these change, the entire demand curve may shift:

- **Income** (normal vs. inferior goods).
- **Preferences / tastes**.
- **Prices of related goods** (substitutes and complements).
- **Expectations** (future prices, income).
- **Network/congestion effects**.
- **Number and type of buyers** (population, demographics).

## Market Demand

- **Market demand** = horizontal sum of individual demands (add quantities at each price).
- **Graph consensus:** label axes (vertical = **P**, horizontal = **Q**), label curves (D, S), mark equilibrium with dashed lines.

## Quick Math & Intuition Reminders

- Demand can be written as an equation (e.g., linear:  $Q_d = a - bP$ ).
- When price changes, **don't shift the curve**, move along it. Only shift the curve when a determinant other than price changes.
- Be precise with language: *quantity demanded = Q at given P*; *demand = relationship across prices*.