

INTRODUCTION TO ECONOMICS

Demand: Thinking Like a Buyer^a



Martina Zweimller
Department of Economics

Last update: November 7, 2023



^aBased on Ch. 2 of "*Principles of Economics*" by Betsey Stevenson & Justin Wolfers.

Chapter Objective

Understand people's buying, or demand, decisions.

Roadmap (1 of 5)

- **Individual Demand: What You Want, at Each Price**
Discover the shape of your individual demand curve.
- **Your Decisions and Your Demand Curve**
Apply the core principles of economics to make good demand decisions.
- **Market Demand: What the Market Wants**
Add up individual demand to discover market demand.
- **What Shifts Demand Curves?**
Understand what factors shift demand curves.
- **Shifts versus Movements Along Demand Curves**
Distinguish between movements along a demand curve and shifts in demand curves.

An Individual Demand Curve

What is an **individual demand curve**?

- An individual demand curve is a graph plotting the quantity of an item that someone plans to buy at each price.
- It reflects the question that you face as a buyer every day: At this price, what quantity should I buy?
- An individual demand curve holds other things constant.

Individual Demand Curve: An Example (1 of 5)

Example: **What is Darren's individual demand curve?** (How much gasoline is Darren willing to purchase at each price?)

- Darren is driving to the office and notices his gas tank is nearly empty.
- The nearby gas station typically offers the best prices, and right now, its sign says \$3 per gallon.
- Darren faces a decision: How much gas should he buy?

Individual Demand Curve: An Example (2 of 5)

Name: *Darren*

We are interested in understanding next year's demand for gas.
What quantity of gas do you expect to purchase per week next year:

If the price is \$5 per gallon?

1 gallon

If the price is \$4 per gallon?

2 gallons

If the price is \$3 per gallon?

3 gallons

If the price is \$2 per gallon?

5 gallons

If the price is \$1 per gallon?

7 gallons

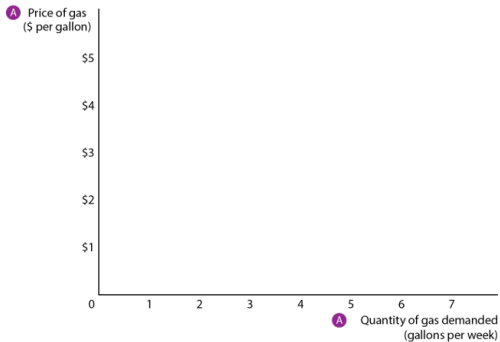
Stevenson/Wolfers, *Principles of Economics*, 1e, © 2020 Worth Publishers

Individual Demand Curve: An Example (3 of 5)

Darren's Individual Demand Curve

How much gasoline is he willing to buy at each price?.

- A Price is on the vertical axis, and quantity demanded is on the horizontal axis.



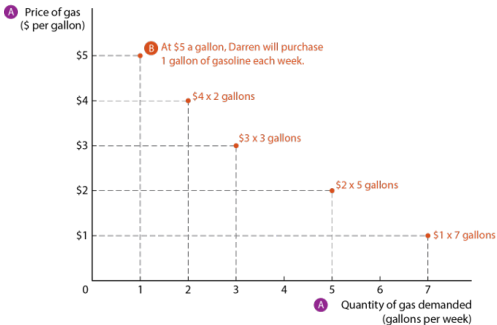
Stevenson/Wolfers, *Principles of Economics*, 1e © 2020 Worth Publishers

Individual Demand Curve: An Example (4 of 5)

Darren's Individual Demand Curve

How much gasoline is he willing to buy at each price?

- A Price is on the vertical axis, and quantity demanded is on the horizontal axis.
- B When the price is \$5 per gallon, Darren will purchase just 1 gallon of gas per week. An individual demand curve also illustrates how the quantity demanded changes as the price changes. If the price falls to \$4 per gallon, the quantity he demands will rise to 2 gallons per week. At a price of \$3, he will buy 3 gallons, and so on.



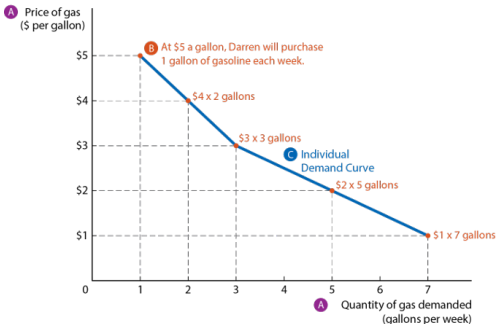
Stevenson/Wolfers, *Principles of Economics*, 1e © 2020 Worth Publishers

Individual Demand Curve: An Example (5 of 5)

Darren's Individual Demand Curve

How much gasoline is he willing to buy at each price?

- A Price is on the vertical axis, and quantity demanded is on the horizontal axis.
- B When the price is \$5 per gallon, Darren will purchase just 1 gallon of gas per week. An individual demand curve also illustrates how the quantity demanded changes as the price changes. If the price falls to \$4 per gallon, the quantity he demands will rise to 2 gallons per week. At a price of \$3, he will buy 3 gallons, and so on.
- C The individual demand curve shows the quantity of gas per week that Darren is willing to buy, at each price. The individual demand curve is downward sloping: The lower the price, the higher the quantity demanded.



Stevenson/Wolfers, *Principles of Economics*, 1e © 2020 Worth Publishers

Graphing Conventions

Don't forget to label the units on both axes!

- In this case, the price of gas is measured in dollars per gallon and is depicted on the vertical axis
- The quantity of gas demanded is measured in gallons per week and is depicted on the horizontal axis



Stevenson/Wolfers, *Principles of Economics*, 1e,
© 2020 Worth Publishers

“Holding Other Things Constant”

- When illustrating an individual demand curve, we ask how much we would be willing to purchase at each price, **holding other things constant**.
 - We know that things other than price can influence your demand. Your demand for gas, for example, might change if you buy a more fuel-efficient car.
 - The **interdependence principle** reminds us not to forget these connections!
- But first, we want to consider what happens when the price and only the price changes.

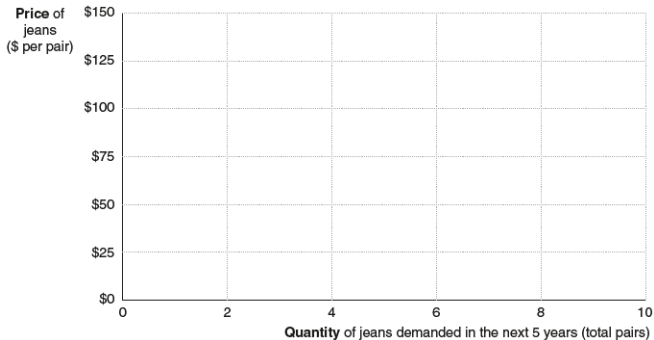
Discovering Your Individual Demand Curve (1 of 2)

Holding other things constant, how many pairs of jeans do you expect to purchase over the next five years at each price?

Price of jeans (\$ per pair)	Quantity of jeans
If jeans cost \$150?	
If jeans cost \$125?	
If jeans cost \$100?	
If jeans cost \$75?	
If jeans cost \$50?	
If jeans cost \$25?	

Discovering Your Individual Demand Curve (2 of 2)

Using the information from the previous table, plot your individual demand curve. What do you notice?



The Law of Demand

- In the previous exercise, you saw that your individual demand curve was downward-sloping. This is explained by the **law of demand**.
- **Law of demand:** The quantity demanded is higher when the price is lower – holding other things constant!



Practice Question (1 of 6)

The individual demand curve follows the law of demand. This means which one of the following?

1. When the price of the good rises, its quantity demanded rises.
2. When the price of the good falls, its quantity demanded rises.
3. When the price of the good falls, its quantity demanded remains the same.
4. There is no relationship between the price of the good and its quantity demanded.

Practice Question (1 of 6)

The individual demand curve follows the **law of demand**. This means which one of the following?

1. When the price of the good rises, its quantity demanded rises.
2. When the price of the good falls, its quantity demanded rises.**CORRECT**
3. When the price of the good falls, its quantity demanded remains the same.
4. There is no relationship between the price of the good and its quantity demanded.

Roadmap (2 of 5)

- **Individual Demand: What You Want, at Each Price**
Discover the shape of your individual demand curve.
- **Your Decisions and Your Demand Curve**
Apply the core principles of economics to make good demand decisions.
- **Market Demand: What the Market Wants**
Add up individual demand to discover market demand.
- **What Shifts Demand Curves?**
Understand what factors shift demand curves.
- **Shifts versus Movements Along Demand Curves**
Distinguish between movements along a demand curve and shifts in demand curves.

Your Decisions and Your Demand Curve

- What are the best buying choices you can make?
- Apply the core principles of economics:
 - the marginal principle.
 - the cost-benefit principle.
 - the opportunity cost principle.

Your Decisions and Your Demand Curve: An Example (1 of 3)

The **marginal principle**: What are Darren's marginal benefits for each additional gallon of gas?

Priority	Darren's thoughts	Marginal benefit
1 (Highest Priority)	If I buy only one gallon of gas per week, I'll use it to do my weekly shopping at the Walmart two towns over. The alternative is to shop at my neighborhood supermarket, which is more expensive. Going to Walmart instead saves me \$5 each week.	\$5.00
2	If I buy a second gallon of gas, I'll also drive two miles to work every day. I prefer this to catching the bus. The time and money saved add up to a \$4 benefit.	\$4.00
3	A third gallon of gas allows me to visit my parents more often. I could call them instead, but I prefer seeing them. There's no financial benefit to this, but there's a benefit nonetheless, because I love my parents. Putting a number on this is hard, but I'm willing to pay up to \$3 for the gallon of gas required for this visit.	\$3.00
4	With a fourth gallon of gas, I can drive to hang out with my friends during the weekend. I could get a ride instead, since all of my buddies live nearby, but it's nice to have the flexibility that driving gives me. I get about \$2.50 in benefit from this.	\$2.50
5	A fifth gallon allows me to drive to the gym twice a week. But I could jog there instead, which is a good warm-up. Saving time is useful, but given that I have to warm up anyway, the benefit of driving to the gym is worth only \$2.	\$2.00
6	If I buy a sixth gallon of gas, I'll use it to do my weekly errands. But I'm nearly as happy just walking around town to do these errands. The benefit of driving to do errands is only \$1.50.	\$1.50
7 (Lowest Priority)	If I buy a seventh gallon, I'll use it to take a scenic drive when I need some quiet time. But I'm nearly as happy taking quiet time at home, so the benefit of this option is pretty low. Perhaps this gallon yields a benefit as small as \$1.	\$1.00

Your Decisions and Your Demand Curve: An Example (2 of 3)

Suppose that gas is selling for \$2.99. Using the cost-benefit principle, answer the following:

1. Should Darren buy a first gallon of gas?
2. Should he buy a second gallon of gas?
3. Should he buy a third gallon of gas?
4. Should he buy a fourth gallon of gas?
5. A fifth? A sixth?
6. What quantity should Darren buy at \$2.99?

Your Decisions and Your Demand Curve: An Example (3 of 3)

Apply the core principles to make good buying decisions.

- The **marginal principle**: Darren considered each additional gallon of gas separately.
- The **cost-benefit principle**: Darren compared the marginal cost to the marginal benefit for each gallon of gas.
- The **opportunity cost principle**: When Darren evaluated his marginal benefits, he compared the benefits to the next best alternative.

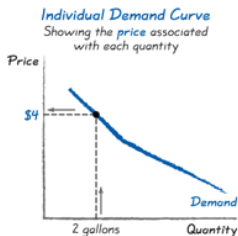
The Rational Rule for Buyers (1 of 2)

- The **Rational Rule for Buyers**: Buy more of an item if its marginal benefit is greater than (or equal to) the price.
- Keep buying until price = marginal benefit.



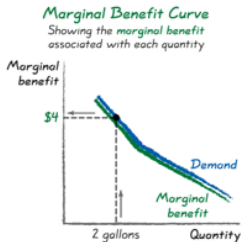
Stevenson/Wolfers, *Principles of Economics*, 1e, © 2020 Worth Publishers

The Rational Rule for Buyers (2 of 2)



+

Price = Marginal benefit



- The demand curve is also the marginal benefit curve.

- Price = Marginal benefit
- The demand curve illustrates the price at which you are willing to buy each quantity.

Why Is Your Demand Curve Downward-Sloping?

- Diminishing marginal benefit: Each additional item yields a smaller marginal benefit than the previous item.
- Let's say you are trying to decide how many scoops of ice cream you want:
 - One or two scoops are scrumptious.
 - A third scoop still tastes pretty good.
 - By the fourth, you're getting tired of all the sugar.
 - And a fifth scoop makes you feel sick.
 - The point is that as you eat more ice cream, the marginal benefit of another scoop keeps getting smaller. You'll buy it only if the price is lower.

Discussion Questions (1 of 2)

Think about most of the things you usually buy.

- How do you feel when you buy one for the first time?
- And how do you feel when you buy a second one? A third?

Individual Demand Reflects Marginal Benefits.



See the Connections

Follow the Rational Rule for Buyers \Rightarrow *Price = Marginal benefit* (The Rational Rule, applied to buyers) \Rightarrow Your demand curve is your marginal benefit curve \Rightarrow Your demand curve is downward-sloping because of diminishing marginal benefits

Practice Question (2 of 6)

Suppose your marginal benefit of your first cup of coffee is \$4, of your second is \$3, and of your third is \$2. If the price of coffee is \$3, how many cups of coffee will you buy?

1. 0 cups
2. 1 cup
3. 2 cups
4. 3 cups

Practice Question (2 of 6)

Suppose your marginal benefit of your first cup of coffee is \$4, of your second is \$3, and of your third is \$2. If the price of coffee is \$3, how many cups of coffee will you buy?

1. 0 cups
2. 1 cup
3. 2 cups **CORRECT**
4. 3 cups

Roadmap (3 of 5)

- **Individual Demand: What You Want, at Each Price**
Discover the shape of your individual demand curve.
- **Your Decisions and Your Demand Curve**
Apply the core principles of economics to make good demand decisions.
- **Market Demand: What the Market Wants**
Add up individual demand to discover market demand.
- **What Shifts Demand Curves?**
Understand what factors shift demand curves.
- **Shifts versus Movements Along Demand Curves**
Distinguish between movements along a demand curve and shifts in demand curves.

Market Demand: What the Market Wants

■ What is the **market demand curve**?

- The market demand curve is a graph plotting the total quantity of an item demanded, by the entire market, at each price.
- It is the sum of the quantity demanded by each person.

■ Individual demand curves are the building blocks of market demand.

Four Steps to Estimating Market Demand

1. **Survey** your customers, asking each person the quantity they will buy at each price.
2. **Add up** the total quantity demanded by your customers for each price.
3. **Scale up** the quantities demanded by the survey respondents so that they represent the whole market.
4. **Plot** the total quantity demanded by the market at each price, yielding the demand curve.

Estimating Market Demand (1 of 5)

Panel A: Individual Demand

Step 1: Run a survey					
Price (\$ per gallon)	Darren's demand		Brooklyn's demand		... 298 other people ...
\$1	7	+	4	+	...
\$2	5	+	3	+	...
\$3	3	+	2	+	...
\$4	2	+	1	+	...
\$5	1	+	0	+	...

=

=

=

=

=

Panel B: Total Market Demand

Step 2	Step 3	Projection
Total demand across 300 people	Scale up to represent 300 million people	Total market demand
2,800 gallons	× one million	= 2.8 billion gallons
2,400 gallons	× one million	= 2.4 billion gallons
2,000 gallons	× one million	= 2.0 billion gallons
1,600 gallons	× one million	= 1.6 billion gallons
1,200 gallons	× one million	= 1.2 billion gallons

Stevenson/Wolfers, *Principles of Economics*, 1e, © 2020 Worth Publishers

Estimating Market Demand (2 of 5)

To calculate the market demand curve for the entire United States:

Step 1: Survey a representative sample of the market, asking each person the quantity they will buy at each price. (Not shown here).

1

Price (\$ per gallon)	Total quantity demanded by 300 survey respondents (gallons per week)	Projection: Total market demand by 300 million consumers (gallons per week)
\$5		
\$4		
\$3		
\$2		
\$1		

Stevenson/Wolfers, *Principles of Economics*, 1e © 2020 Worth Publishers

Estimating Market Demand (3 of 5)

To calculate the market demand curve for the entire United States:

Step 1: Survey a representative sample of the market, asking each person the quantity they will buy at each price. (Not shown here).

Step 2: For each price, add up the total quantity demanded by the people surveyed.

1	2	
Price (\$ per gallon)	Total quantity demanded by 300 survey respondents (gallons per week)	Projection: Total market demand by 300 million consumers (gallons per week)
\$5	1,200	
\$4	1,600	
\$3	2,000	
\$2	2,400	
\$1	2,800	

Stevenson/Wolfers, *Principles of Economics*, 1e © 2020 Worth Publishers

Estimating Market Demand (4 of 5)

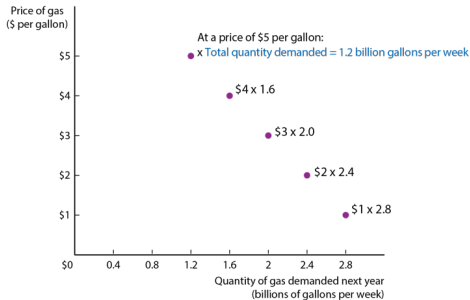
To calculate the market demand curve for the entire United States:

Step 1: Survey a representative sample of the market, asking each person the quantity they will buy at each price. (Not shown here).

Step 2: For each price, add up the **total quantity demanded by the people surveyed**.

Step 3: To make projections about the **total quantity demanded by the entire market**, scale up the quantities demanded by the survey respondents so that they represent the whole market. We have 300 survey respondents representing 300 million consumers, and so we project that the quantity demanded by the entire population will be **one million times larger**.

1	2	3
Price (\$ per gallon)	Total quantity demanded by 300 survey respondents (gallons per week)	Projection: Total market demand by 300 million consumers (gallons per week)
\$5	1,200	\times one million = 1.2 billion
\$4	1,600	\times one million = 1.6 billion
\$3	2,000	\times one million = 2.0 billion
\$2	2,400	\times one million = 2.4 billion
\$1	2,800	\times one million = 2.8 billion



Stevenson/Wolfers, *Principles of Economics*, 1e © 2020 Worth Publishers

Estimating Market Demand (5 of 5)

To calculate the market demand curve for the entire United States:

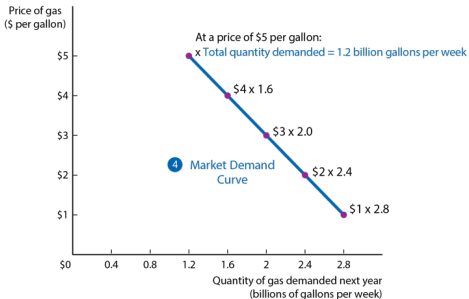
Step 1: Survey a representative sample of the market, asking each person the quantity they will buy at each price. (Not shown here).

Step 2: For each price, add up the **total quantity demanded by the people surveyed**.

Step 3: To make projections about the **total quantity demanded by the entire market**, scale up the quantities demanded by the survey respondents so that they represent the whole market. We have 300 survey respondents representing 300 million consumers, and so we project that the quantity demanded by the entire population will be **one million times larger**.

Step 4: Plot the **total quantity demanded by the entire market** at each price, and we get the **market demand curve**.

1	2	3
Price (\$ per gallon)	Total quantity demanded by 300 survey respondents (gallons per week)	Projection: Total market demand by 300 million consumers (gallons per week)
\$5	1,200	\times one million = 1.2 billion
\$4	1,600	\times one million = 1.6 billion
\$3	2,000	\times one million = 2.0 billion
\$2	2,400	\times one million = 2.4 billion
\$1	2,800	\times one million = 2.8 billion



Stevenson/Wolfers, *Principles of Economics*, 1e © 2020 Worth Publishers

The Market Demand Curve Is Downward-Sloping.

- Market demand curves obey the **law of demand**: The total quantity demanded is higher when the price is lower.
- Price changes quantity demanded for both new and old customers.
 - When prices are low, current customers buy more gas.
 - When prices are low, the number of customers increases.

Practice Question (3 of 6)

Suppose you and your 99 classmates all have identical marginal benefits for coffee: the marginal benefit of the first cup is \$4, of the second is \$3, and of the third is \$2. If the price of coffee is \$3, what is the quantity demanded in the market?

1. 300 cups
2. 200 cups
3. 100 cups
4. 0 cups

Practice Question (3 of 6)

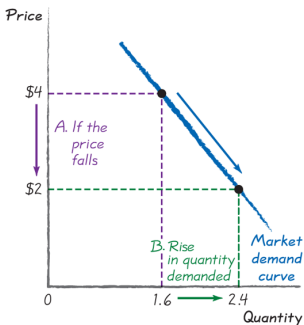
Suppose you and your 99 classmates all have identical marginal benefits for coffee: the marginal benefit of the first cup is \$4, of the second is \$3, and of the third is \$2. If the price of coffee is \$3, what is the quantity demanded in the market?

1. 300 cups
2. 200 cups **CORRECT**
3. 100 cups
4. 0 cups

Movement Along the Demand Curve

- **Movement along the demand curve:** The movement from one point on a fixed demand curve to another point on the same curve that is caused by a price change.
- **Change in the quantity demanded:** The change in quantity associated with movement along a fixed demand curve.

Movement Along the Demand Curve



Stevenson/Wolfers, *Principles of Economics*, 1e,
© 2020 Worth Publishers

Roadmap (4 of 5)

- **Individual Demand: What You Want, at Each Price**
Discover the shape of your individual demand curve.
- **Your Decisions and Your Demand Curve**
Apply the core principles of economics to make good demand decisions.
- **Market Demand: What the Market Wants**
Add up individual demand to discover market demand.
- **What Shifts Demand Curves?**
Understand what factors shift demand curves.
- **Shifts versus Movements Along Demand Curves**
Distinguish between movements along a demand curve and shifts in demand curves.

What Shifts Demand Curves?

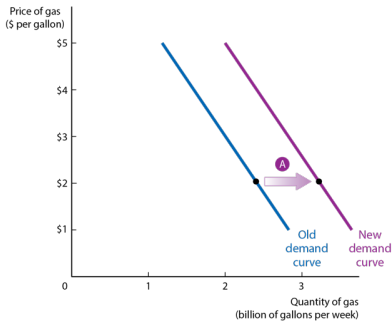
The **interdependence principle** reminds you that a buyer's choice also depends on many other factors beyond price and that when these other factors change, so might their demand decisions.

- **Shift in the demand curve:** A movement of the demand curve itself.
- **Increase in demand:** A shift of the demand curve to the right.
- **Decrease in demand:** A shift of the demand curve to the left.

Shifts in the Demand Curve

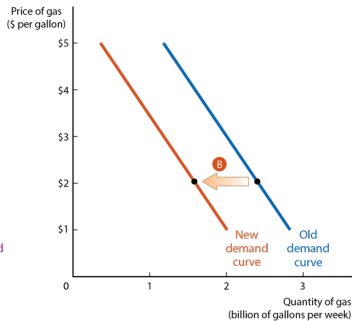
Panel A: An Increase in Demand

- A** An increase in demand shifts the demand curve to the right, leading to a higher quantity demanded at each and every price.



Panel B: A Decrease in Demand

- B** A decrease in demand shifts the demand curve to the left, leading to a lower quantity demanded at each and every price.



Stevenson/Wolfers, *Principles of Economics*, 1e © 2020 Worth Publishers

What Shifts Demand?

- Factors that shift both individual and market demand curves include the following:
 1. income.
 2. preferences
 3. prices of related goods.
 4. expectations.
 5. congestion and network effects.

- Factors that shift only market demand curves include the following:
 1. the type and number of buyers.

Demand Shifter 1: Income

Changes in income can shift demand curves.

- **Normal good:** A good for which higher income causes an increase in demand.
- **Inferior good:** A good for which higher income causes a decrease in demand.

Normal and Inferior Goods

- Ⓐ In 2007, Target's stock price was much higher than Walmart's.
- Ⓑ The global economy entered a recession in December 2007, and average incomes fell.
- Ⓒ Walmart sells inferior goods, so a decline in average income raised their sales, and so their stock price rose.
- Ⓓ Target sells normal goods, so falling average income led to a decrease in demand, and so their stock price fell.

Stock price



Demand Shifter 2: Your Preferences

Changes in preferences can shift demand curves.

- Companies spend billions of dollars each year attempting to influence our preferences through advertising.
- Social pressure can shift your demand curve.
- Preferences are also affected by fashion trends.

Demand Shifter 3: Prices of Related Goods

Changes in the prices of related goods can shift demand curves.

- **Complementary goods:** Goods that go together.
 - Your demand for a good will decrease if the price of complementary goods rises.
 - Examples: hot dogs and hot dog buns
- **Substitute goods:** Goods that replace each other.
 - Your demand for a good will increase if the price of substitute goods rises.
 - Examples: driving, walking, cycling, ride-sharing, taking the bus

Discussion Questions (2 of 2)

Imagine that you want to buy a sandwich and you're wondering whether to buy a chicken sandwich or a grilled cheese sandwich.

- What type of related goods are these?
- What factors could influence your decision to buy one of them?

Practice Question (4 of 6)

- Which one of the following pairs lists goods that are NOT substitutes?
 1. hamburger and veggie burger
 2. pen and pencil
 3. bus and train
 4. car and gas

Practice Question (4 of 6)

- Which one of the following pairs lists goods that are NOT substitutes?
1. hamburger and veggie burger
 2. pen and pencil
 3. bus and train
 4. car and gas **CORRECT**

Demand Shifter 4: Expectations

Expectations, especially about the future, can shift demand curves.

- If you believe prices might rise, you will make your purchase today, increasing today's demand.
- If you believe prices will fall, you will delay your purchase, decreasing today's demand.

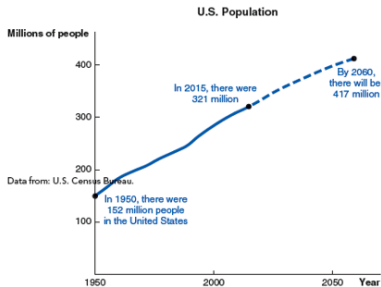
Demand Shifter 5: Congestion and Network Effects

How other people use goods can affect demand curves.

- **Network effect:** The effect that occurs when a good becomes more useful because other people use it.
 - If more people buy such a good, your demand for it will also increase.
 - Example: popular social media platforms
- **Congestion effect:** The effect that occurs when a good becomes less valuable because other people use it.
 - If more people buy such a product, your demand for it will decrease.
 - Example: roads

Demand Shifter 6: Type and Number of Buyers

- If the composition of the market changes, market demand will also change.
- Market demand increases over time as the population grows.



Practice Question (5 of 6)

Which of the following would change market demand curves without shifting individual demand curves?

1. the number of buyers
2. the income of buyers
3. the preferences of buyers

Practice Question (5 of 6)

Which of the following would change market demand curves without shifting individual demand curves?

1. the number of buyers **CORRECT**
2. the income of buyers
3. the preferences of buyers

Roadmap (5 of 5)

- **Individual Demand: What You Want, at Each Price**
Discover the shape of your individual demand curve.
- **Your Decisions and Your Demand Curve**
Apply the core principles of economics to make good demand decisions.
- **Market Demand: What the Market Wants**
Add up individual demand to discover market demand.
- **What Shifts Demand Curves?**
Understand what factors shift demand curves.
- **Shifts versus Movements Along Demand Curves**
Distinguish between movements along a demand curve and shifts in demand curves.

Shifts versus Movements Along Demand Curves (1 of 6)

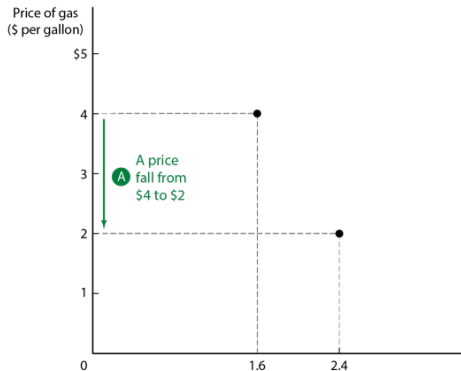
A simple rule of thumb:

- When the price changes: you're thinking about a movement along the demand curve.
- When other factors change: you need to think about shifts in the demand curve.

Shifts versus Movements Along Demand Curves (2 of 6)

Panel A—When the Price Changes:
Movement Along the Demand Curve

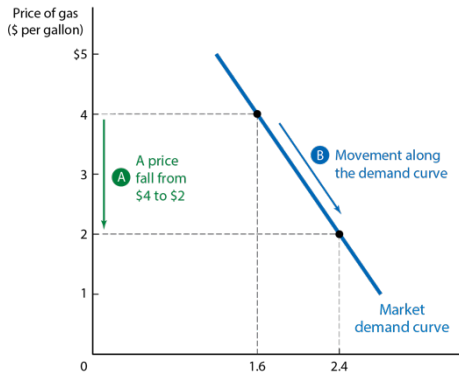
- A A change in price, from \$4 to \$2 per gallon,



Shifts versus Movements Along Demand Curves (3 of 6)

Panel A—When the Price Changes:
Movement Along the Demand Curve

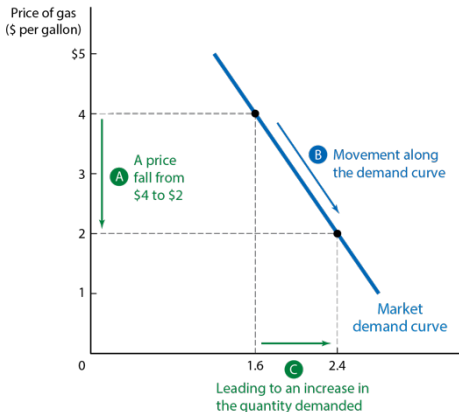
- A A change in price, from \$4 to \$2 per gallon,
- B Causes a movement along the demand curve,



Shifts versus Movements Along Demand Curves (4 of 6)

Panel A—When the Price Changes:
Movement Along the Demand Curve

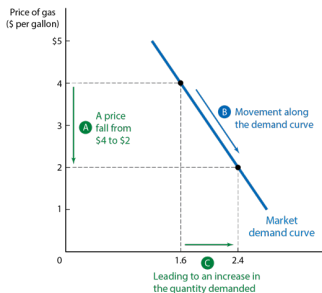
- A A change in price, from \$4 to \$2 per gallon,
- B Causes a movement along the demand curve,
- C Leading to a change in the quantity demanded, raising the quantity demanded from 1.6 to 2.4 billion gallons per week.



Shifts versus Movements Along Demand Curves (5 of 6)

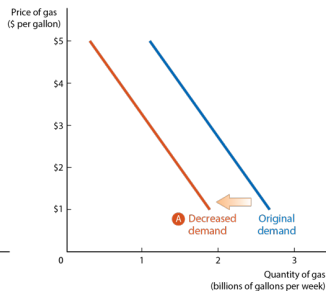
Panel A—When the Price Changes:
Movement Along the Demand Curve

- A A change in price, from \$4 to \$2 per gallon.
- B Causes a movement along the demand curve,
- C Leading to a change in the quantity demanded, raising the quantity demanded from 1.6 to 2.4 billion gallons per week.



Panel B—When Other Factors Change:
Shifts in the Demand Curve

- A A decrease in demand shifts the demand curve to the left, decreasing the quantity at each and every price.

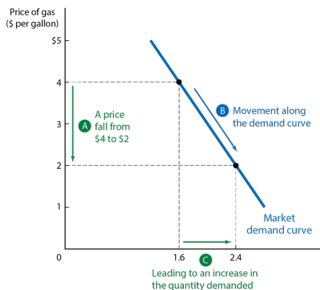


Stevenson/Wolfers, *Principles of Economics*, 1e © 2020 Worth Publishers

Shifts versus Movements Along Demand Curves (6 of 6)

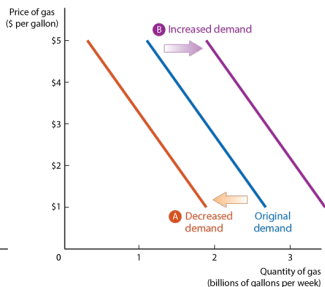
Panel A—When the Price Changes:
Movement Along the Demand Curve

- A A change in price, from \$4 to \$2 per gallon,
- B Causes a **movement along the demand curve**,
- C Leading to a **change in the quantity demanded**, raising the quantity demanded from 1.6 to 2.4 billion gallons per week.



Panel B—When Other Factors Change:
Shifts in the Demand Curve

- A A **decrease in demand** shifts the demand curve to the left, decreasing the quantity at each and every price.
- B An **increase in demand** shifts the demand curve to the right, increasing the quantity at each and every price.



Stevenson/Wolfers, *Principles of Economics*, 1e © 2020 Worth Publishers

Practice Question (6 of 6)

Which of the following would decrease the quantity demanded (move along the demand curve)?

1. an increase in the price of a complement
2. an increase in the number of buyers
3. an increase in the expected future price
4. an increase in the current price

Practice Question (6 of 6)

Which of the following would decrease the quantity demanded (move along the demand curve)?

1. an increase in the price of a complement
2. an increase in the number of buyers
3. an increase in the expected future price
4. an increase in the current price **CORRECT**

Key Takeaways

- Individual demand is the quantity an individual is willing to purchase at each price, holding everything else constant.
- Individual demand is determined using the core principles of marginal cost, cost-benefit, and opportunity cost.
- Rational buyers purchase the quantity at which price equals marginal benefit.
- The market demand is the sum of individual demands at each price.
- Changes in price lead to movements along the demand curve; changes in factors other than price shift the demand curve.