- Supply and demand are the two words that economists use most often.
- Supply and demand are the forces that make market economies work.
- Modern microeconomics is about supply, demand, and market equilibrium.

Market Demand versus Individual Demand

- Market demand refers to the sum of all individual demands for a particular good or service.
- Graphically, individual demand curves are summed horizontally to obtain the market demand curve.

Shifts in the Demand Curve

- Change in Demand
  - A shift in the demand curve, either to the left or right.
  - Caused by any change that alters the quantity demanded at every price.

Consumer Income
Inferior Good

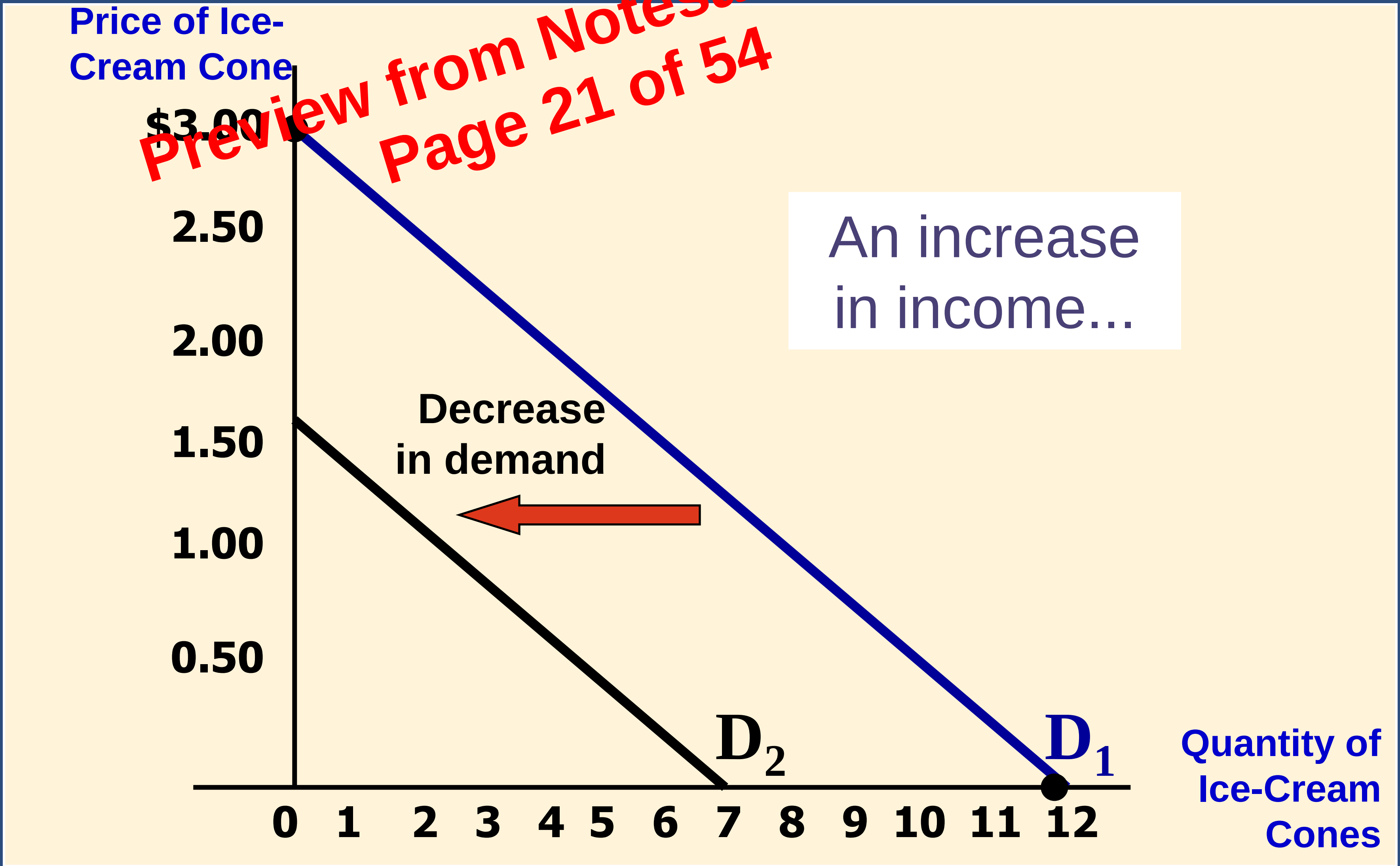

Table 1 Variables That Influence Buyers

Variable	A Change in This Variable . . .
Price	Represents a movement along the demand curve
Income	Shifts the demand curve
Prices of related goods	Shifts the demand curve
Tastes	Shifts the demand curve
Expectations	Shifts the demand curve
Number of buyers	Shifts the demand curve

Ben’s Supply Schedule

Price of Ice-Cream Cone	Quantity of Cones Demanded
$0.00	0
0.50	0
1.00	1
1.50	2
2.00	3
2.50	4
3.00	5

Figure 8 The Equilibrium of Supply and Demand

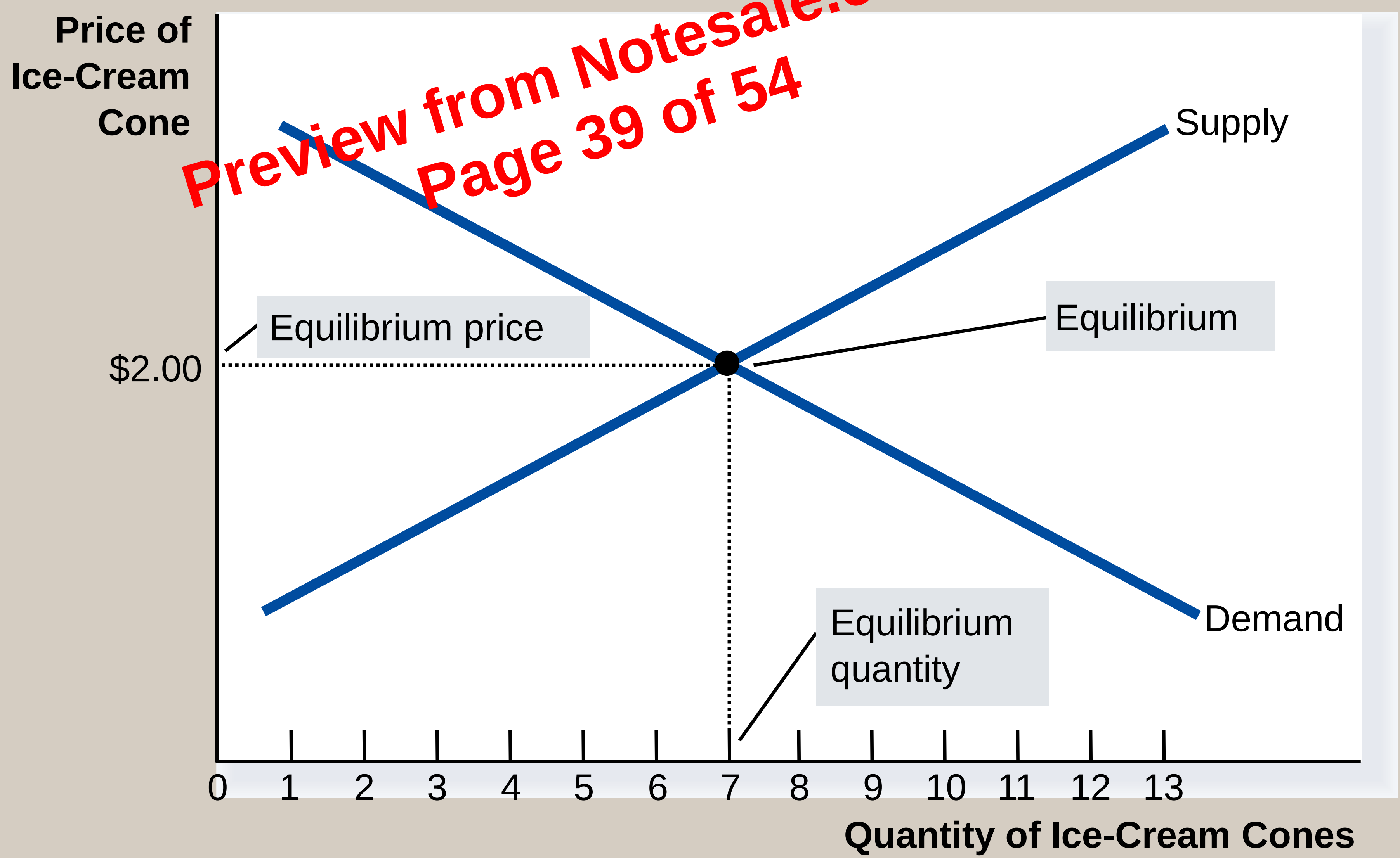

Table 4 What Happens to Price and Quantity When Supply or Demand Shifts?

	No Change in Supply	An Increase in Supply	A Decrease in Supply
No Change in Demand	*P* same *Q* same	*P* down *Q* up	*P* up *Q* down
An Increase in Demand	*P* up *Q* up	*P* ambiguous *Q* up	*P* up *Q* ambiguous
A Decrease in Demand	*P* down *Q* down	*P* down *Q* ambiguous	*P* ambiguous *Q* down

Summary

- Economists use the model of supply and demand to analyze competitive markets.
- In a competitive market, there are many buyers and sellers, each of whom has little or no influence on the market price.