Name ______________________________ Date ______________

SECTION **1**

READING STUDY GUIDE WITH ADDITIONAL SUPPORT

What Is Demand?

Before You Learned

Microeconomics is the study of the economic behaviors and decisions of small units, such as individuals and businesses.

Now You Will Learn

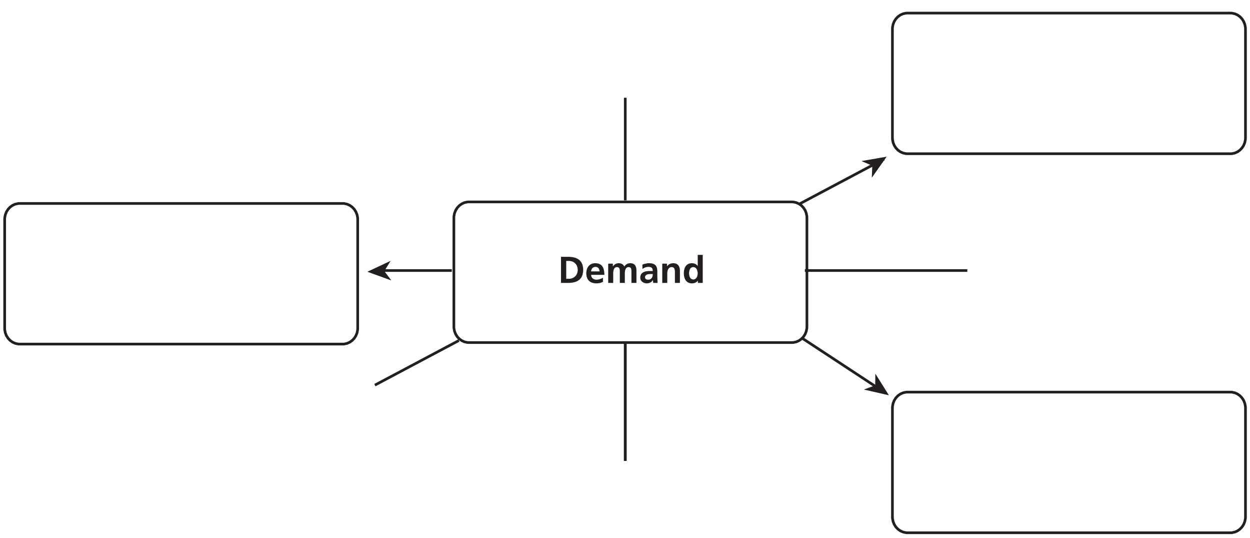
Demand is the willingness to buy something and the ability to pay for it.

Economic Terms

- **demand:** The willingness to buy a good or service along with the ability to pay for it
- **law of demand:** The correlation between demand and price that states when prices go down, quantity demanded increases, and when prices go up, quantity demanded decreases
- **market demand schedule:** A listing of how much of an item all consumers are willing to purchase at a number of different prices
- **market demand curve:** A graph that shows the data from a market demand schedule

As You Read

Take notes to help you understand demand, the law of demand, demand schedules, and demand curves.



The Law of Demand

Demand is the willingness to buy a good or service combined with the ability to pay for it. If you want a product, but you cannot afford it, you do not have demand for that product.

The law of demand states that when prices go down, quantity demanded increases and when prices go up, quantity demanded decreases. This means that prices and demand have an inverse relationship.

1. Why do business owners sometimes put items on sale? How does this strategy show good knowledge of the law of demand?

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Demand Schedules

A two-column table showing how much of a good or service one customer will purchase at particular prices is called a demand schedule. Such a table for a large group of customers is called a market demand schedule. Business owners use market demand schedules to figure out how to price goods and services. They use market research to collect the data to create market demand schedules.

2. In terms of quantities, how does an individual demand schedule differ from a market demand schedule?

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Demand Curves

A demand curve is a graph that shows how much of a good or service an individual will buy at certain prices. A similar graph for a large customer base is called a market demand curve. To make either type of demand curve, you simply plot data from a corresponding demand schedule. On any demand curve, the vertical axis shows the price per unit and the horizontal axis shows the quantity demanded. Demand curves slope downward from left to right because quantity demanded increases as price fall. Demand schedules and demand curves are both based on the assumption that all economic factors, aside from price, remain constant.

3. Describe how a demand curve slopes.

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Vera Wang: Designer in Demand

When Vera Wang started to plan her own wedding, she was surprised that she couldn't find a wedding dress she liked. She believed that she wasn't the only woman who didn't like traditional gowns. So, she started her own line of wedding gowns that were elegant and simpler. They soon became popular among celebrities. Demand for Wang's gowns grew and so did her business. Vera Wang succeeded in business because she recognized an unmet demand and addressed it.

4. What assumption did Wang make when she started her wedding gown business?

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Name ____________________ Date ____________

APPLICATION

Mark It Up!

"To tell you a secret, they're only marked down to discourage shoplifting. At this price it don't pay to steal them."

5. Reread your notes on "The Law of Demand." **Highlight** the relationship between price and quantity.

6. **Draw** an arrow up or down on the sign in the cartoon to show whether the store owner has raised or dropped the prices of the merchandise shown.

7. **Identify** two things the store owner hopes will happen because of the way he has priced the hats.

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8. **Describe** what would probably happen if the store owner raised the price of the hats to $10.

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