

- Analyze the concept of Demand and its law.

# Demand

- Demand in the dictionary- an insistent and sometimes harsh request made as if by right
- Demand in Economics- a consumer's willingness and ability to buy a product.
- Demand represents all of the different quantities of a good or service that consumers will purchase at various prices.

# Law of Demand

- As price goes up quantity demanded goes down
- As price goes down quantity demanded goes up

# What causes the change in QD

- Real income
- Substitution effect
- Diminishing marginal utility

# Real income

- No one will ever be wealthy enough to buy everything he or she might possibly want. Individuals cannot keep buying the same quantity of a good or service if its price rises while their income stays the same.
- Real income is what a person makes vs the cost of goods and services.

# Substitution effect

- Economic rule stating that if two items satisfy the same need (or want) and the price of one rises, people will buy the other.

# Diminishing marginal utility

- Utility- ability of a good or service to satisfy consumer wants
- Economic rule stating the additional satisfaction a consumer gets from purchasing one more unit of a product will lessen with each additional unit purchased.