BASIC SUPPLY-DEMAND TYPE MARKETS

The **DEMAND SIDE** of the market

We want to show the quantity of a good that potential buyers are willing to purchase.

What might a person consider in deciding whether to buy a particular model of used car?

Examples	Economist's name
Purchase price of the car	Price
How much money you have available	Income
Its: reliability, durability, insurance costs, fuel economy, expected life, safety, repair costs, size, comfort, color, engine size…	"Tastes"
Purchase price of other cars you might buy instead, price of other forms of transportation (e.g. bus, bicycle etc.)	Price of Alternatives

DETERMINANTS OF DEMAND

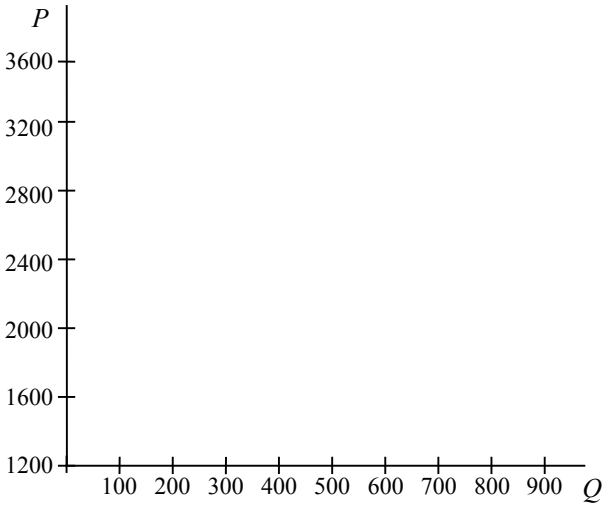
The determinants of demand are:

1. Price
2. Income
3. "Tastes"
4. Price of Alternatives
5. Population

Example of **OTHER DEMAND DETERMINANTS** (other than price) (for "old" Toyota Corollas in London)

	D_0
Average Income	\$36,000
"Tastes"	Certain Characteristics
Price of "old" Civic	\$2550
Price of Bus ride	\$2.00
Population	380,000

Quantity demanded - the amount of a particular good that people are willing to buy for a single price and a certain set of other demand determinants. It is the true wishes of the potential buyers in the sense that they actually would buy this amount if the amount were available.

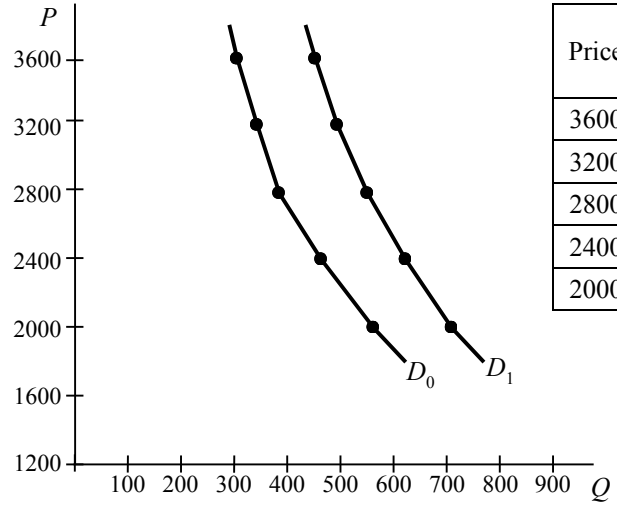


Price	Quantity Demanded (for D_0)
3600	
3200	
2800	
2400	
2000	

Demand - for a fixed set of other determinants vary only price and observe how quantity demanded responds. This gives us one entire curve. We never refer to one point on a demand curve as "demand" - one point on a demand curve is a quantity demanded.

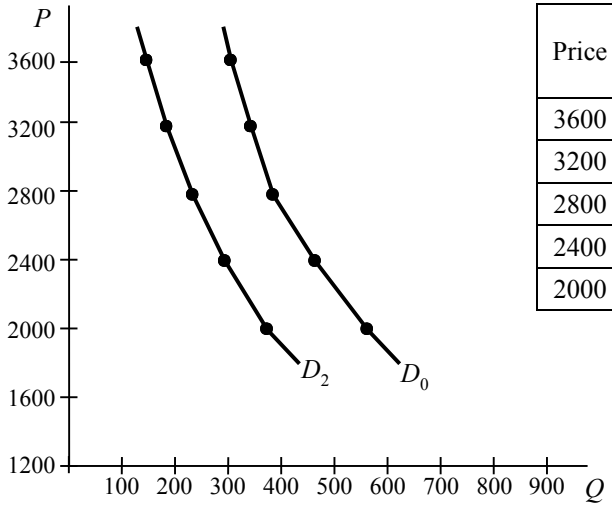
How We Represent Changes in the Other Demand Determinants

Suppose the population of London was 400,000 but everything else in the D_0 list was the same. We could call the new list of other demand determinants D_1.



Price	Quantity Demanded (D_0)	Quantity Demanded (D_1)
3600	300	450
3200	340	490
2800	380	550
2400	460	620
2000	560	710

Suppose students can now use city busses free but everything else in the D_0 list was the same. We could call the new list of other demand determinants D_2.



Price	Quantity Demanded (D_0)	Quantity Demanded (D_2)
3600	300	140
3200	340	180
2800	380	230
2400	460	290
2000	560	370