Demand and Supply

Demand is a schedule or curve that shows the various amounts of a product that consumers are willingly and able to purchase at each of a series of possible prices during a specified period. Demand shows the quantities of a product that will be purchased at various possible prices. Supply is a schedule or curve showing the various amounts of a product that producers are willing and able to make available for sale at each of a series of possible prices during a specific period. A competitive market is one in which there are many buyers and sellers of the same good or services, none of whom can individually influence the price at which h the good or service is sold. Other things equal as prices falls, the quantity demanded rises, and as prices rises, the quantity demanded falls. The law of demand indicates that a lower price increases the purchasing power of a buyer’s money income, enabling the buyer to purchase more of the product than before. Examples, as it gets colder the demand for ice cream goes down, when it is rainy weather the demand for umbrellas go up, holidays the demand for the popular toy goes up, back to school season, supplies and clothes are in high demand, and so forth.

Companies will use price to try increase demand by putting an item on sale. The item being on sale can increase the demand for that item. Price is determined by how much of an item people want, and how much is available. When the demand goes up, so does the price. When demand goes down, the price comes down. No matter what price is set, all of it is based off of supply and demand. If a company has a surplus that it wants to get rid of, it can lower the price to increase demand. Supply is the amount of some good or service a producer is willing to supply at each price. A rise in price almost always leads to an increase in the quantity supplied of that good or services, while a falling price will decrease the quantity supplied. What a buyer pays for a unit of the specific good or services is called price. A rise in price of a good or service almost always decreases the quantity demanded of that good or services. A fall in price will increase the quantity demanded. The demand decreases when the expected future price goes down because people can buy the product later on when the price of the product goes down. Demand curves can shift. Changes in income and preferences can cause a higher or lower quantity to be demanded at a given price. Supply curve shift can be higher or lower quantity too be supplied at a given price.