

### Chapter 3 on Demand and Supply

Define market.

Define demand.

Define the law of demand.

Explain why changes in prices send the quantity demanded in the opposite direction.

What is the difference between the relative price and the money price of a product?

When you computed comparative advantage, were you using relative prices or money prices?

What is a demand schedule?

What does it mean that we are comparing **constant-quality** units?

What is a demand curve?

List the factors that can shift the demand curve (e.g. list the determinants of demand):

How does an increase in income shift the demand curve?

What are normal goods and how are they different from inferior goods?

Define substitute products and give an example.

Define complimentary goods and give an example.

Explain the differences between a shift or change in demand, and a change in the quantity demanded.

Define supply.

Define the law of supply.

Why do prices and supply move in the same direction (if price goes up, supply goes up)?

What is a supply schedule?

What is a supply curve?

What are the various causes of shifts in supply?

What is the difference between a shift in the supply curve, and a change in the quantity supplied?

What is the point at which the supply and demand curve called?

Define market-clearing price.

What is a synonym for the market-clearing price?

What is a shortage and when do they occur?

What is a surplus and when do they occur?