

GUIDED READING Activity 4-2

For use with textbook pages 97–101

FACTORS AFFECTING DEMAND

OUTLINING

Directions: Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary.

I. Change in the Quantity Demanded

A. Introduction—What change is graphically represented as movement along the demand curve?

B. The Income Effect

1. What happens when prices drop? _____

2. How can an increase in price affect demand? _____

C. The Substitution Effect—What do consumers tend to do when similar products are available and one is more costly than the other?

II. Change in Demand

A. Introduction—What is a change in demand?

B. Consumer Income—What happens if consumer income rises?

C. Consumer Tastes—What factors can affect consumer tastes?

D. Substitutes—What happens to the demand for a product if the price of its substitute goes up?

E. Complements—How does an increase in a product's price affect demand for the product's complement?

F. Expectations

1. What happens to the demand for a product if consumers think that a future product will be better?

2. What happens to the demand for a product if consumers think there will be a shortage in the future?

G. Number of Consumers

1. What happens to the market demand curve if there is an increase in the number of consumers?

2. What happens to the market demand curve whenever anyone leaves the market?
