

Supply & Demand Study Guide

Be able to define, identify, & apply information about each of the following:

- Markets & prices
 - Relative prices - & their 3 principal functions
 - 3 basic questions
 - Circular flow model
 - Equilibrium price
- Demand
 - Law of demand
 - Law of diminishing marginal utility
 - Changes in price, shifts of demand, & determinants of demand
 - Substitute goods
 - Complimentary goods
- Supply
 - Law of supply
 - Law of diminishing returns
 - Changes in price, shifts of supply, & determinants of supply
- Elasticity
 - Elastic & inelastic demand
 - Elastic & inelastic supply
 - Factors influencing elasticity of demand & elasticity of supply
- Surpluses & shortages
 - Causes of surpluses & shortages
 - How to eliminate surpluses & shortages
- Price controls
 - Price floors – who helped & surpluses
 - Price ceilings – who helped & shortages