Determinants of Demand – things that cause a new curve

- Tastes/Advertising – Preferences for a product – a change that makes the product more desirable – Demand will increase and demand curve will shift rightward
    - Unfavorable change in consumer preferences will decrease demand, shifting demand curve to left
    - Concern over health hazards, etc.
- Population – Increase or decrease in number of buyers in market.
    - Baby boom after WWII increased demand for baby diapers
- Income – a rise in income causes an increase in demand
    - Consumers typically buy more steaks, furniture, electronic equip as income increases.
    - Conversely, demand for such products declines as their incomes fall
        - Products whose demand varies directly with money income are called **inferior goods or normal goods**
        - Most products are normal goods, but exceptions include demand for used clothing deceases as incomes go up, demand for used cars decrease as income increases.
- Prices of related goods – substitute or compliment
    - Substitute – one that can be used in place of another good –
        - The price of one and the demand for the other move in the same direction
    - Complimentary good – one that is used together with another good
        - The price of one good and the demand of the other good move in opposite directions.
    - Related goods – Vast majority of goods that are not related are called independent goods – examples are butter and golf balls; potatoes and automobiles. A change in the price of one has little or not effect on demand for other.
- Expectations – Consumer expectations - a newly formed expectation of higher future prices may cause consumers to buy now in order to "beat" the anticipated price rises; thus, increasing current demand. Example: freezing weather destroys much of Florida's cirrus crop, consumers may reason that he price of orange juice will rise

Determinants of Supply – Things that cause a new curve

- Input Costs – process of resources used in production help determine costs of production incurred by firms. Cost of Wages, materials used to make the product, etc.

- Technology – Improvements in technology (techniques of production) enable firms to produce units of output with fewer resources
- Taxes and Subsidies – Businesses treat most taxes as costs – increase in sales or property taxes will increase production costs and decrease supply
- Future Price Expectations – changes in expectations about future price of a product may affect the producer's current willingness to supply that produce. Farmers anticipating a higher wheat price in future might withhold some of current wheat harvest from market, thereby causing a decrease in current supply of wheat.
- Regulation – When the government increases regulation on an industry, it becomes more expensive to produce and will therefore produce less. The government can also Deregulate, causing production costs to decrease and supply will increase.
- Number of sellers/producers in the Market – Larger the number of suppliers, the greater the market supply. As more firms enter industry, the supply curve shifts to the right. Us and Canada imposed restrictions on haddock fishing to replenish dwindling stocks.

Change in Supply – means a change in the schedule and a shift of the curve

Change in quantity supplied is a movement from one point to another on a fixed supply curve.

Change in Demand – A shift of the demand curve to right (increase) or left (decrease).

Change in Quantity Demanded – A movement from one point to another point – from one price-quantity combination to another – on a fixed demand schedule or demand curve.