

## **Chapter 4 Study Guide**

### **4.1**

#### **Key terms**

Demand:

Law of demand:

Substitution effect

Income effect:

Demand schedule:

Market demand schedule:

Demand curve:

#### **Questions**

1. The higher the price of pizza, the fewer slices people will buy is an example of \_\_\_\_\_
2. Eating salad or tacos instead of pizza when the price of pizza goes up is an example of \_\_\_\_\_
3. Buying fewer slices of pizza when rising prices reduce real income is an example of \_\_\_\_\_
4. Which two behavior patterns affect the law of demand? Describe them.
  - a.
  - b.
5. Does simply wanting a new car qualify as demand? Explain your answer.
6. Why might a business owner create a market demand schedule?
7. On the demand curve graph, how do economists label the Vertical axis and the Horizontal axis?
8. What condition must exist to make a demand curve accurate?

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### **4.2**

#### **Key terms**

Ceteris paribus:

Normal goods:

Inferior goods:

Complements:

Substitutes:

## Questions

9. When the entire demand curve shifts, economists refer to this as a \_\_\_\_\_
  - a. What causes the demand curve to shift to the left?
  - b. What causes the demand curve to shift to the right?
10. Explain the following factors, which influence demand:
  - a. Income:
  - b. Utility or consumer expectations:
  - c. Population:
  - d. Consumer taste & Advertising:
  - e. Complements:

Example:
  - f. Substitutes:

Example:
11. Explain how the baby boom generation affected demand for certain goods.

### 4.3

### Key terms

Elasticity of demand:

Elastic:

Inelastic:

Unitary elastic:

Total revenue:

## Questions

12. How do each of the following affect elasticity?
  - a. Substitutes:
  - b. Relative Importance:
  - c. Necessities vs. Luxuries:
  - d. Changes over time:
13. Calculating Elasticity
  - a. Formula:
14. How does elasticity affect a company's pricing and therefore its total revenue?
  - a. Elastic-
  - b. Inelastic-