

Attachment E: Supply and Demand

	Definition	Laws	Determinants	Equilibrium
Demand	Willingness and ability to buy various quantities of a good or service at various prices	Law of Demand – Quantity demanded varies inversely to price: If all else remains equal, the lower the price, the higher the quantity demanded, and the higher the price, the lower the quantity demanded	Factors other than price influencing demand: Substitutes, complements, number of demanders, consumer preference, income	Equilibrium is the point where supply and demand balance each other; below this point is a shortage, and above this point is a surplus
Supply	Willingness and ability to provide various quantities of a good or service at various prices	Law of Supply – Quantity supplied varies directly with price: If all else remains equal, the lower the price, the lower the quantity supplied, and the higher the price, the higher the quantity supplied.	Factors other than price influencing supply: Number of producers, technology, government policies, productivity of resources	Equilibrium is the point where supply and demand balance each other; below this point is a shortage, and above this point is a surplus.