

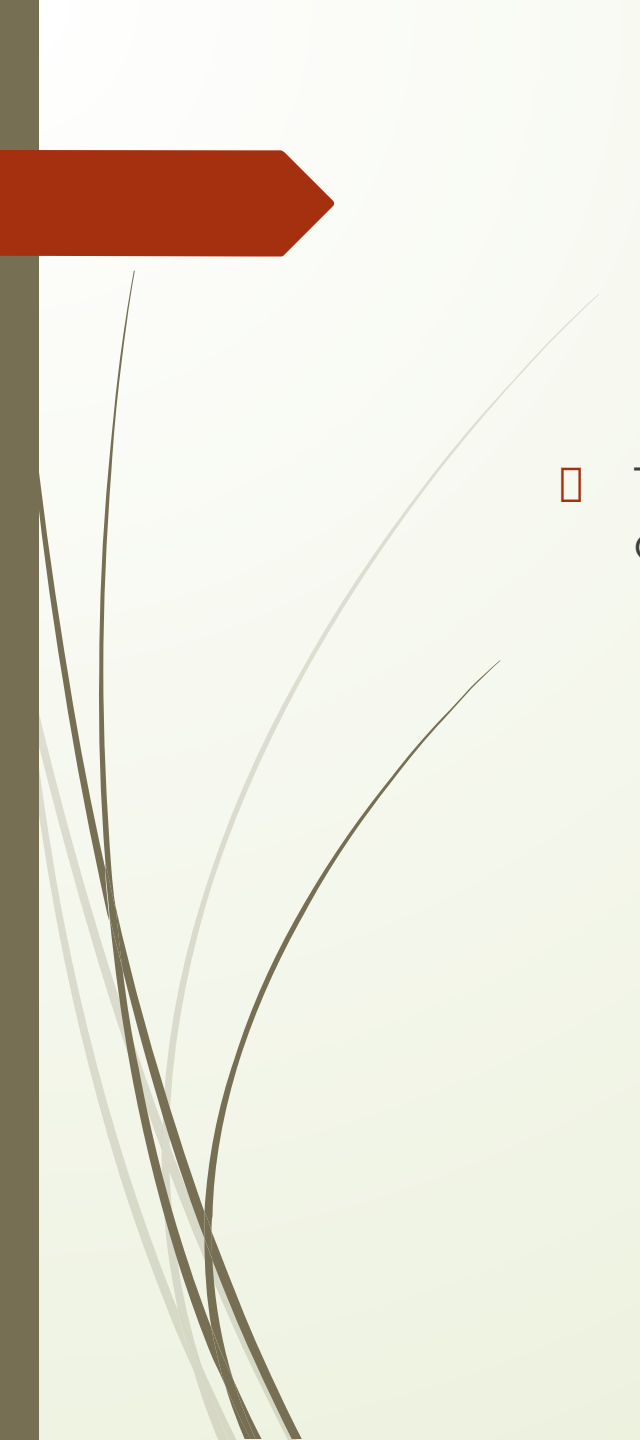






Supply and Demand

Соловьев Даниил ИЭУИС 1-13

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- In economics the quantity of a commodity that producers wish to sell at various prices is called supply and the quantity of a commodity that consumers wish to buy is called demand.

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- The quantity of a commodity demand depends on its price, the prices of all other commodities, the incomes of consumers, and their tastes.

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- Analysing supply we assume that everything but the price is constant in order to observe the relationship between various prices and the quantity potentially offered by suppliers at each price. Market has the function to equate demand and supply through the price mechanism.

- As the price rises, the quantity offered usually increases, and the willingness of consumers to buy an article normally declines, but these changes are not necessarily proportional. The measure of the responsiveness of supply and demand to changes in price is their elasticity. Elasticity is calculated as the ratio of the percentage change in the quantity demanded or supplied to the percentage change in price.

