

Chapter 3

change in demand	a change in a determinant of demand leads to a change in demand, a shift of the entire demand curve (p. 60)
change in quantity demanded	a change in a good's price leads to a change in quantity demanded, a move along a given demand curve (p. 60)
competitive market	a market in which there are a number of buyers and sellers offering similar products, and no single buyer or seller can influence the market price (p. 56)
complement	an increase (a decrease) in the price of one good causes a decrease (an increase) in the demand of another good (p. 62)
income effect	at higher prices, buyers feel poorer, causing a lowering of quantity demanded (p. 57)
individual demand curve	a graphical representation that shows the inverse relationship between price and quantity demanded (p. 58)
individual demand schedule	a table that shows the relationship between price and quantity demanded (p. 57)
individual supply curve	a graphical representation that shows the positive relationship between the price and the quantity supplied (p. 66)
inferior good	if income increases, the demand for a good decreases; if income decreases, the demand for a good increases (p. 62)
law of demand	the quantity of a good or service demanded varies inversely (negatively) with its price, ceteris paribus (p. 56)
law of supply	the higher (lower) the price of the good, the greater (smaller) the quantity supplied (p. 66)
market	the process of buyers and sellers exchanging goods and services (p. 55)
market demand curve	the horizontal summation of individual demand curves (p. 58)
market supply curve	the horizontal summation of individual supply curves (p. 67)
normal good	if income increases, the demand for a good increases; if income decreases, the demand for a good decreases (p. 62)
substitute	an increase (a decrease) in the price of one good causes an increase (a decrease) in the demand for another good (p. 61)

substitution effect at higher prices, buyers increasingly substitute other goods for the good that now has a higher relative price (p. 57)