Topic 23.10.2025

Answer the following Question

1- Why does a market demand curve normally slope down?

- The market demand curve slope down because of the Law of Demand. As price increase the quantity demanded decreases because consumers ~~by~~ buy less due to the subsititution effect (switching to cheaper alternative) and the income effect (reduced purchasing power)

2- Name some factors that could shift the demand curve out to the right.

- The factors that shift the demand ~~cu~~ curve to the right (an increase in demand) include an increase in income (for normal goods), an increase in the price of a substitute, a decrease in the price of a complement and a favorable change in consumer tastes or population.

3- Why does a firm's supply curve normally slope up?

- The Firm's supply curve slopes upward because of the law of supply and the profit incentive. A higher price allows the firm to cover the increasing marginal cost of producing more units, making them willing to supply a larger quantity.

4- Name some factors that could shift the supply curve in to the left

- Factors that shift the supply curve to the left (a decreases in supply) include an increase in the cost of inputs (like wages or materials), an increase in taxes, a reduction in subsidies or a worsening of technology or natural condition.

5- What is the significance of the point where supply and demand curves intersect?

- The intersection of supply and demand curves is the market Equilibrium point. It determines the Equilibrium price (Pe) and Quantity (Qe) where quantity supplied equals quantity demanded, signifying a stable, market-clearing state ~~wh~~ with no surplus or shortage.

6- Explain why the market price may not be the same as the equilibrium price

- The market price often differ from the equilibrium price due to constant shifts in supply and demand, creating temporory shortages (Price too low) or surpluses (price too high)

7. Explain why if the price of a good is above the equilibrium price, the forces of supply and demand will tend to push the price toward equilibrium

- A Price above equilibrium creates a surplus (excess supply). To sell their goods, producers are forced to lower the price, driving it back down to the equilibrium point where the market clears.