

Learning Objectives

Chapter 4

In this chapter you will

- Learn what a competitive market is
- Examine what determines the demand for a good in a competitive market
- Examine what determines the supply of a good in a competitive market
- Distinguish between a movement along and a shift of a curve
- See how supply and demand together set the price of a good and the quantity sold
- Consider the key role of prices in allocating scarce resources in market economies

You should be able to

- List the two characteristics of a competitive market
- List the factors that affect the amount that consumers wish to buy in a market
- List the factors that affect the amount that producers wish to sell in a market
- Draw a graph of supply and demand in a market and find the equilibrium price and quantity
- Shift supply and demand curves in response to an economic event and find the new equilibrium price and quantity
- Describe the process by which a new equilibrium is reached
- Explain how price acts as a signal to both producers and consumers