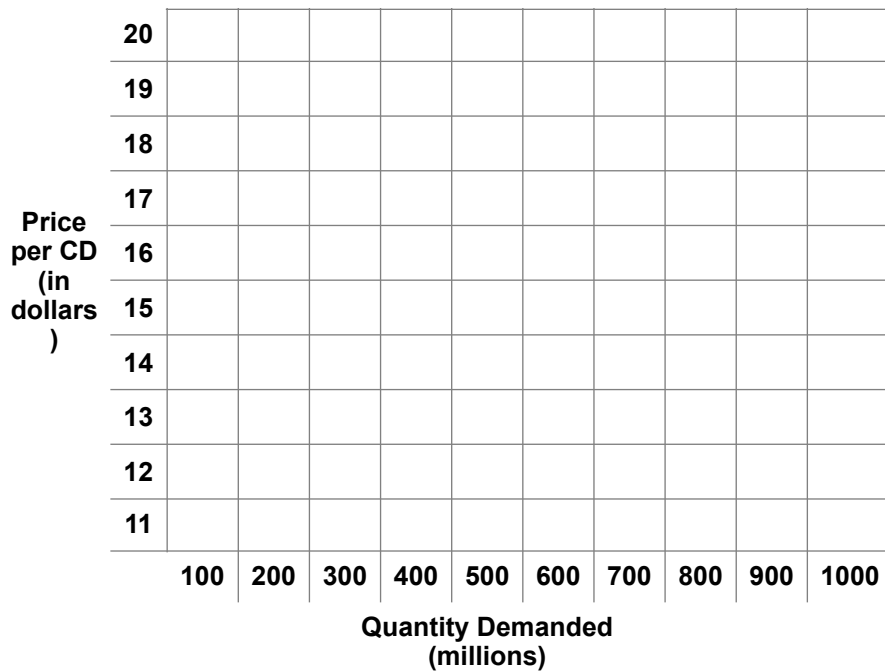


Graphing the Demand Curve. Use the data presented in the *Demand Schedule for CDs* to graph the demand curve in the chart below.

Demand Schedule For CDs	
Price per CD (in dollars)	Quantity Demanded (in millions)
20	100
19	200
18	300
17	400
16	500
15	600
14	700
13	800
12	900
11	1000

DEMAND CURVE*



Movement Along The Demand Curve. Answer the following questions based on the demand curve you have graphed:

1. When the price of a CD is \$20, what is the quantity demanded by consumers?
2. When the price of a CD is \$15, what is the quantity demanded by consumers?
3. As the price of a CD decreases, does the quantity of CDs demanded increase or decrease?
4. As the price of a CD increases, does the quantity of CDs demanded increase or decrease?

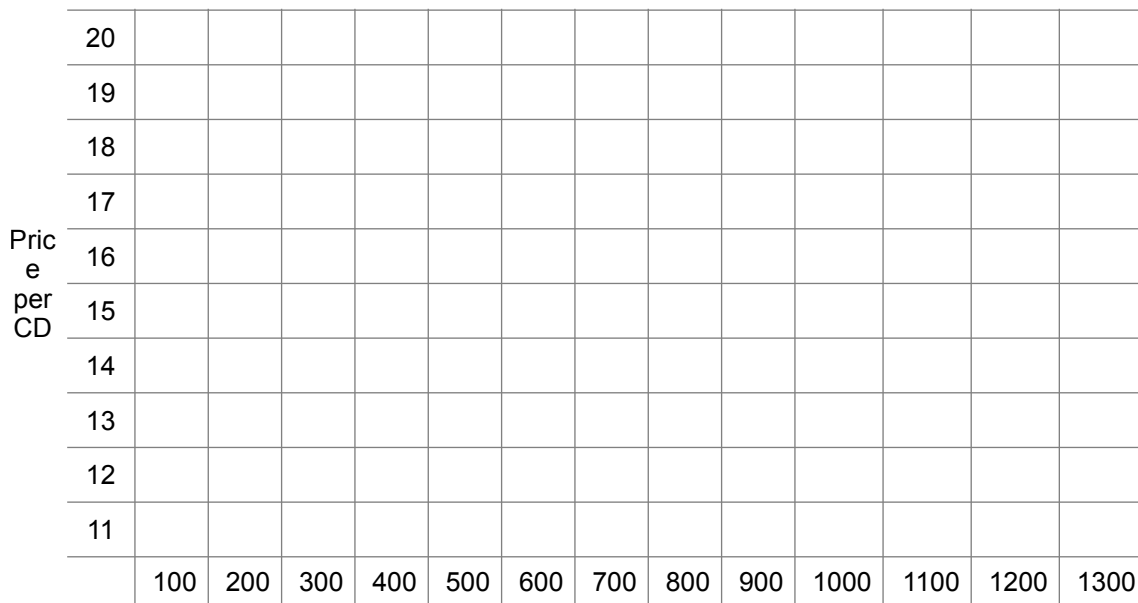
Shifts in the Demand Curve.

In recent years, sales of music CDs have decreased as many consumers have elected to download individual tracks of music directly into their playing devices. Of course, the cost to download a single track is less than the cost of a CD. The demand for music CDs is shown in the demand schedule as D1.

Imagine that as a result of pressure from the music industry, music downloads are outlawed, and the only way to purchase music is to buy a music CD. Demand for CDs increases and is now shown in the demand schedule as D2.

Demand Schedule for CDs		
Price per CD	Quantity Demanded (D1)	Quantity Demanded (D2)
20	100	125
19	200	250
18	300	375
17	400	500
16	500	625
15	600	750
14	700	875
13	800	1000
12	900	1125
11	1000	1250

- Using the data presented in the Demand Schedule for CDs, graph the demand curves D1 and D2 in the chart below.



Quantity Demanded

Refer to the chart you have drawn and answer the following questions:

1. When CDs sell for \$18, compare the quantity demanded for CDs at demand levels D1 and D2.
2. Explain why more customers are now willing to purchase CDs for the same price.
3. When demand increases at all price levels, the demand curve shifts in which direction: right or left?
4. Explain the difference between an *increase in demand* and *increase in the quantity demanded*.
 - a. Which is depicted as a movement along the demand curve?
 - b. Which is depicted as a shift in the demand curve?

Identifying the determinants of demand. you have seen how an increase in demand is depicted on a graph by a shift in the demand curve.

- When the demand curve shifts upward and to the right, this is indicative of an increase in demand.
- When the demand curve shifts to the left, this is indicative of a decrease in demand.
- Factors that result in a change in demand are the determinants of demand.
- indicate whether demand will increase or decrease;
- provide an explanation as to why.

Determinant of demand	Demand increases or decreases?	Explanation
Population increases		
Population decreases		
Increase in most peoples' income		
Decrease in most peoples' income		
Price of substitute increases		
Price of substitute decreases		

Price of complementary good increases		
Price of complimentary good decreases		
Product becomes a popular fad (change in taste of buyers)		
Product now out of fashion (change in taste of buyers)		
There is a fear that the economy will go into a recession where many firms will fail and unemployment will increase		

Movement along the curve or a shift in the demand curve? Complete the table below by indicating whether each scenario results in a change in the quantity demanded (movement along the demand curve), or a change in demand (shift in the demand curve). If there is a shift in the demand curve, indicate whether the curve shifts up or down.

Scenario	Movement or shift up or shift down?
1. There is an outbreak of the flu and sales of latex gloves skyrocket.	
2. A nail salon cuts the price it charges for manicures and more clients come.	
3. A chain of department stores extends the hours that stores will remain open and total sales for the chain has increased.	
4. The US Census Bureau has announced that there is baby boom in the United States and sales of baby carriages have increased.	
5. John's Bicycle shop increases the prices of bicycles and sales decrease.	
6. The City of New York has cut the number of city employees by 10% and sales of big screen televisions falls.	