

And, here we are folks back again with part 2. And, we're going to continue our look at the demand curve. And, we're going to begin by looking at movements along the curve. Again, remember that our demand curve is downward sloping into the right. And what this tells us is that when the price changes we'll have movement along the demand curve. If the price is low, they'll be more demand, as the price goes higher, they'll be less demand- lower price more demand, higher price less demand. And so, the demand curve is very sensitive to a price change. Anytime you experience, or you're looking at a problem, and the problem says the price has changed then, you know you're going to have movement along that curve. Now, there is another type of motion that we can have associated with the demand curve, and that is a shift of the demand curve. And, to accomplish that we have to have more data so you notice there's a third column for data on our chart at the upper right hand corner, and what this is a situation where more is going to be demanded at every part. A really good example if you see our coffee beans production here, or demand rather, if the demand that we had initially represented the demand from the United States for coffee beans. And, now the new demand is generated from another country. Let's say Germany starts importing coffee beans from the same place from Columbia, and now the combined U.S. and German demand would obviously be more, and so let's go ahead and plot that. And, we see that the first point we plot, at \$9 3,000,000, is going to be demanded at \$7 5,000,000, at \$5 6,000,000, and at \$3 9,000,000, and finally at a \$1 11,000,000 pounds of coffee would be demanded. That's significantly more than we had originally. We can go ahead and connect our points from the scatter plot with a line, and now we have a new demand curve that has shifted to the right and it is labeled "D2" because the "D" stands for demand "2" is the second demand in this analysis. And so, we see at shift to the right, and again when the curve shifts to the right, what it's telling us is that more is going to be demanded at every price. So price has not changed, but at every price more would be demanded. Now why would that happen? Well, if the first example is the one we just gave were suddenly there is a lot more consumers, that would cause the price of more to be demanded at every price. If the previous consumers, if the existing consumers, under "D1" suddenly had a lot more income then, they would likely demand more. And, an example of how they could have a lot more income would be if their taxes have been dramatically reduced by a stimulus program from the government then, that would put more disposable income in their hands and the consumers then would demand more of at every price. We could also have something that caused a change in the tastes for this item. Now here we are not talking the taste of coffee but, we're talking about consumers taste for a given product. So, something has caused consumers to want more coffee, maybe it's a really, really, good advertising campaign by the coffee association- coffee growers association, whatever it is, a lot more people now want more coffee and therefore, more will be demanded at every price. Also, if there was a change in expectations of the consumer. If they had some reason that looking toward the future that it would be important to have more coffee. An example might be, if they had heard that there was a really bad winter freeze in the coffee growing region of Columbia, or maybe a tornado or hurricane wiped out most of the coffee plants, they might rush to the store to buy as much coffee as they could now knowing that it's going to be very scarce in the future. So, that would involve a shift of the demand with more being demanded at every price. And then, finally, if there is an increase in the price of a substitute product; now by substitute product, we're thinking of something that the consumer would equally prefer to the item that we have now, so let's say coffee and tea might be substitute items, a person would just as willingly drink tea as they would drink coffee. So therefore, if the price of tea suddenly skyrocketed then, we would have some people who had been drinking tea that would switch to

coffee. So, there would be an increase if the price of that substitute product increased then there would be more demand at every price for our item, for our coffee. And, we'll continue the rest of this discussion in part 3.