

Ceteris paribus	Latin phrase that means all other things held constant.
Complement	Two goods that are bought and used together
Demand curve	A graphic representation of a demand schedule
Elastic	Describes demand that is very sensitive to a change in price.
Elasticity of demand	A measure of how consumers react to a change in price.
Income effect	The change in consumption resulting from change in real income
Inferior good	A good that consumers demand less of when their incomes increase
Law of demand	Consumers buy more of a good when its price decreases and less when its price increases.
Normal good	A good that consumers demand more of when their income increases,
Substitutes	Goods used in place of one another.

Substitution effect

When consumers react to an increase in a good's price by consuming less of that good or more of other goods.

Total revenue

The total amount of money a firm receives by selling good or services.

The law of demand states that

- a. price will not influence demand.
- b. consumers will buy less when a price decreases.
- c. consumers will buy more when a price decreases.
- d. consumers will buy more when a price increases.

c. consumers will buy more when a price decreases.

If the price of a good rises and income stays the same, what is the effect on demand?

- a. the prices of other goods drop
- b. fewer goods are bought
- c. more goods are bought
- d. demand stays the same

b. fewer goods are bought.

Which of the following does not cause a shift of an entire demand curve?

- a. a change in income
- b. a change in price
- c. a change in consumer expectations
- d. a change in the size of the population

b. a change in price.

What does elasticity of demand measure?

- a. an increase in the quantity available
- b. a decrease in the quantity demanded
- c. how much buyers will cut back or increase their demand when prices rise or fall
- d. the amount of time consumers need to change their demand for a good

c. how much buyers will cut back or increase their demand when prices rise or fall.