

Answer on Question #39248 – Economics – Microeconomics

Assignment

Explain as fully as possible why it is important for economists to distinguish between demand and quantity demanded. Use graphs to illustrate

Solution

To understand the difference between the two, we consider the demand curve. A shift of the curve to the right or left is a change in demand. Something imbedded within the curve changed, so that at any given price, a different quantity is required. So, a change in demand would be something like the demand for a certain metal increased due to a new invention that requires that metal to make it. The curve shifts to the right, so at the same price as before, more quantity is demanded.

Quantity demanded is a shift along the curve, without the curve actually moving. If the price changes because the supply curve moves, then the quantity demanded changes. The underlying demand curve does not. So an example would be, a hurricane destroyed a large orange crop causing the supply curve shift to the left. Now the new intersection of lines shows less quantity being demanded. People still demand the same amount, but the price changed, so the quantity demanded goes down along the same curve.

So, with fruit example, demand does not decrease but the quantity demanded goes down because the price went up. The bad season causes the supply curve shift and intersect the demand curve at a lower point of quantity.