

# Guided Reading Activity

## Demand

### Lesson 1 *What is Demand?*

#### Review Questions

**Directions:** Read each main idea and respond to the questions or statements below. Refer to your textbook as you write the answers.

#### A. An Introduction to Demand

**Main Idea:** Because understanding demand—the combination of ability, desire, and willingness to purchase a product—is essential to understanding economics, we calculate and illustrate it.

1. What are the two variables needed to calculate demand?

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2. What is a demand schedule? How does a demand schedule help us understand the effect of changes in price on the amount demanded?

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3. Explain the difference between a demand schedule and a demand curve. Would there be a reason to use one rather than the other?

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#### B. The Law of Demand

**Main Idea:** The Law of Demand is reflected in the demand curve, which shows the relationship between price and quantity demanded.

1. What does the Law of Demand state?

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# Guided Reading Activity *cont.*

## Demand

2. What kind of science is economics? What is a “law” in science?

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3. How does a market demand curve differ from an individual demand curve? How are they similar?

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### C. Demand and Marginal Utility

**Main Idea:** The principle of diminishing marginal utility explains the price we pay for additional units of goods and services.

1. Explain the concept of marginal utility. Why is diminishing marginal utility important to the demand curve?

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2. Describe an example of diminishing marginal utility in your experience.

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# Guided Reading Activity *cont.*

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### Summary and Reflection

**Directions:** Summarize the main ideas of this lesson by answering the questions below.

Why is understanding demand important to understanding how societies answer the basic WHAT, HOW, and FOR WHOM questions? How do we study demand, and how does demand behave?

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