More on Basics of Supply and Demand

There are almost always options that eliminate the word need. So we speak of wants instead of needs. Wants describe various ways to achieve objectives.

The economic model of Consumer Demand is built upon several factors:

1. Tastes of the individual consumer.
2. Expectations held by individual consumers.
3. Price of the good.*
4. Income of the consumer.*
5. Prices of related commodities.*

If we can’t measure them, how can we ever know when they change?

Expectations

Expectations are almost as hard to measure as tastes. We are not confident in our ability to analyze these. The people who do are not economists.

Economists analyze the last three things. The price of the good, income of the consumer, and prices of related commodities. Trying to understand how many 6-packs you buy, how much gas you buy, whether you buy cable TV-these are answered with the last three. The is the focus of economic analysis of consumer demand.