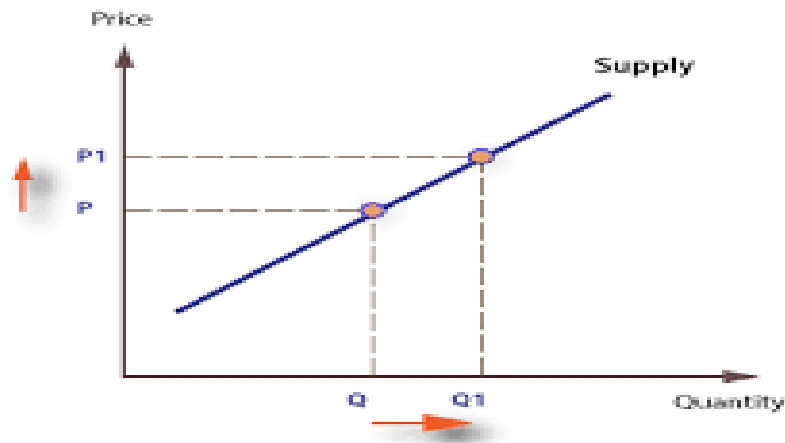


KEY TERMS 2

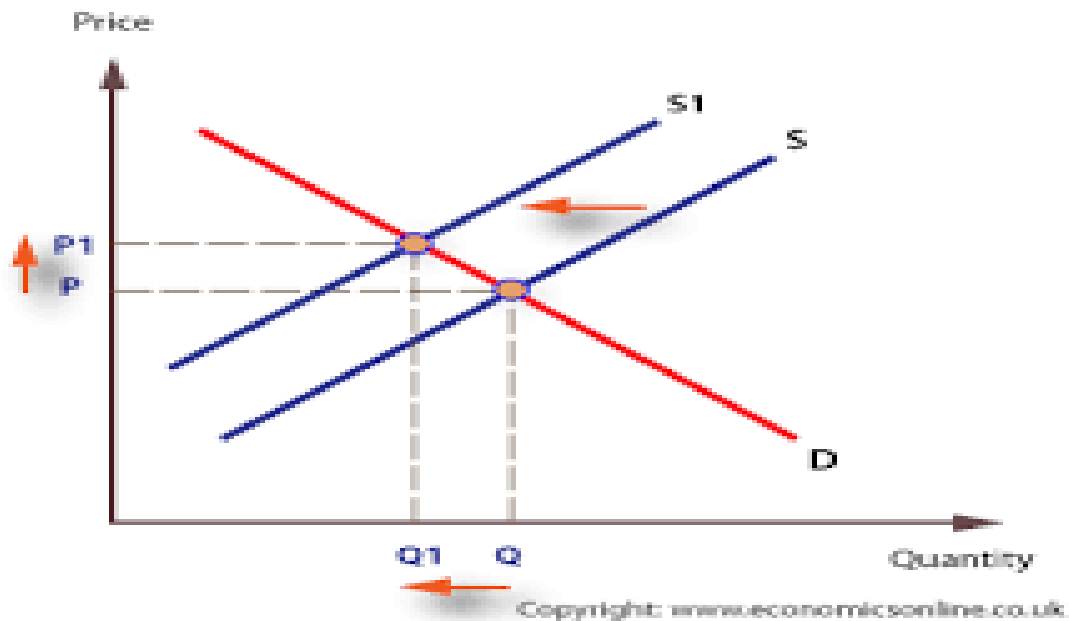
Chapter 2 : Demand and Supply in a context of a Market Economy

- **Utility:** The ability of a commodity to satisfy needs or wants; the satisfaction experienced by the consumer of that commodity.
- **Indifference curve:** a graph showing those combinations of the two commodities that leave the consumer equally well off or equally satisfied—hence indifferent—in having any combination on the curve.
- **Market Economy:** An economy in which goods and services are exchanged in a free market, as opposed to a state-controlled or socialist economy; a capitalistic economy.
- **The demand curve** is a graphical representation depicting the relationship between a commodity's different price levels and quantities which consumers are willing to buy.
- **The supply curve** plots the quantity that is willingly supplied at any given price.
- **The individual supply** curves can be summed by quantity provided at a specific price to achieve an aggregate supply curve.

- **Supply curve:** A graphical representation of the quantity producers are willing to make when the product can be sold at a given price.



- **Market Supply:** The market supply curve is an upward sloping curve depicting the positive relationship between price and quantity supplied.
- **Supply Shifts:** A shift in supply from S_1 to S_2 affects the equilibrium point, and could be caused by shocks such as changes in consumer preferences or technological improvements



- **Equilibrium:** The condition of a system in which competing influences are balanced, resulting in no net change.
- **Equilibrium Pricing:** This chart effectively highlights the various basic implications of a simple supply and demand chart. The equilibrium point is where market clearing will theoretically occur.

