Reservation Price

Demand \( Q_D = f P_x \)

Dependable Variable = Independent Variable

\[
\begin{align*}
Q_D &= f P_x \\
1 &= $10.00 \\
2 &= $9.00 \\
3 &= $8.00 \\
4 &= $7.00 \\
5 &= $6.00 \\
6 &= $5.00 \\
7 &= $4.00 \\
8 &= $3.00 \\
9 &= $2.00 \\
10 &= $1.00
\end{align*}
\]

\( P_x \) is the independent variable. The “x” is the determinant. Changes in determinants will *shift a given demand curve.*
Some Determinants of Demand (x) are:

Tastes and Preferences

Income and its Distribution

Prices of Related Goods
  Substitutes
  Complementary Goods

Population
  Numbers and ages of buyers.

Expectations about prices, incomes and availability.

If a determinant of demand changes there is a shift in the curve. If there is a change in price there is movement along the curve.
**Reservation Price**

Supply $Q_s = f P_x$

<table>
<thead>
<tr>
<th>Dependable Variable</th>
<th>Independent Variable $P_x$ (Ceteris Paribus)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>$10.00</td>
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<tr>
<td>9</td>
<td>$ 9.00</td>
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<td>8</td>
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<td>2</td>
<td>$ 2.00</td>
</tr>
<tr>
<td>1</td>
<td>$ 1.00</td>
</tr>
</tbody>
</table>

$P_x$ is the independent variable. The “x” is the determinant. Changes in determinants will *shift a given supply curve.*
Some Determinants of Supply (x) are:

Cost of Resources

Prices of Related Goods

Expectations:
   Durable Goods
   Perishable Goods

Number of Sellers

Taxes, Subsidies, and Government Regulation

Technology

If a determinant of supply changes there is a \textit{shift in the curve}. If there is a change in price there is movement along the curve.
Assumptions:

All players in the game are honest.

All players in the game are rational.

Both buyers and sellers will be better off as a result of transactions

More is better than less.

That information is available to both parties.

Exchange is voluntary.

Government sets standards for all to follow such as weights and measures.

Government interference in the market place is minimal.