

The interaction of supply and demand in a market economy determines price.

Laws

Demand

Law of Demand

Quantity demanded varies inversely to price: if all else remains equal, the lower the price, the higher the quantity demanded, and the higher the price, the lower the quantity demanded.

Supply

Law of Supply

Quantity supplied varies directly with price: If all else remains equal, the lower the price, the lower the quantity supplied, and the higher the price, the higher the quantity supplied.

The student will demonstrate knowledge of the United States market economy by
d) explaining the interaction of supply and demand.