


# AQA Economics AS-level **Microeconomics**

## Topic 2: Price Determination in a Competitive Market


### **2.6 The interrelationship between markets**


Notes





 Changes in one market are likely to affect other markets. This relates to the types of demand and supply, and how they link different markets.

### **Types of demand:**


 **Derived demand:** This is when the demand for one good is linked to the demand for a related good. For example, the demand for bricks is derived from the demand for the building of new houses. The demand for labour is derived from the goods the labour produces. For example, if the demand for cars increases, the demand for the labour to produce those cars will increase.

 **Composite demand:** This is when the good demanded has more than one use. An example could be milk. Assuming there is a fixed supply of milk, an increase in the demand for cheese will mean that more cheese is supplied, and therefore less butter can be supplied.

 **Joint demand:** This is when goods are bought together, such as a digital camera and a memory card. An increase in demand for digital cameras is likely to lead to an increase in demand for memory cards.

 Demanding substitute goods, such as Samsung TVs over Panasonic TVs, would reduce the quantity supplied of Panasonic TVs and also reduce their price.

### **Types of supply:**

 **Joint supply:** This is when increasing the supply of one good causes an increase or decrease in the supply of another good. For example, producing more lamb will increase the supply of wool.

