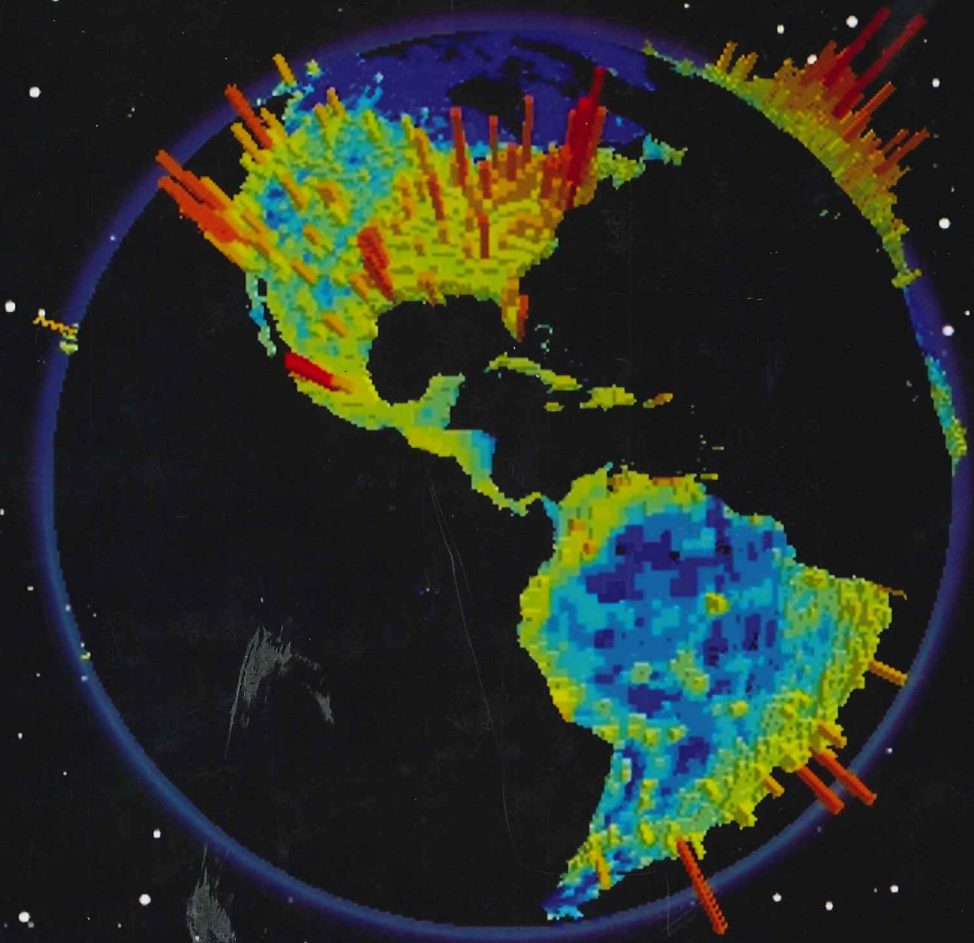


Economics 19e



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ECONOMICS

Nineteenth Edition

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To our families, students, and colleagues

ECONOMICS

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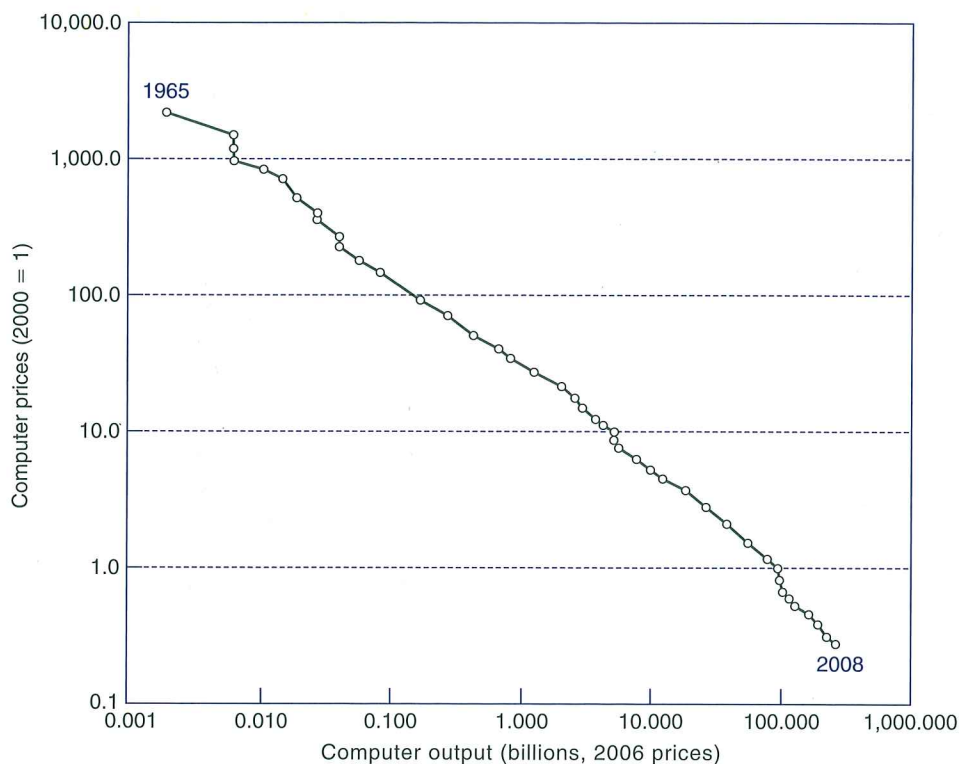


FIGURE 3-3. Declining Computer Prices Have Fueled an Explosive Growth in Computer Power

The prices of computers and peripheral devices are measured in terms of the cost of purchasing a given bundle of characteristics (such as memory or speed of calculations). The real price of computer power has fallen by a factor of 8000 since 1965. Falling prices along with higher incomes and a growing variety of uses have led to a 140,000-fold growth in the quantity of computers (or, really, computational power) produced.

Source: Department of Commerce estimates of real output and prices. Note that the data are plotted on ratio scales.

Factors affecting the demand curve

1. **Average income**
2. **Population**
3. **Prices of related goods**
4. **Tastes**

Example for automobiles

- As incomes rise, people increase car purchases.
- A growth in population increases car purchases.
- Lower gasoline prices raise the demand for cars.
- Having a new car becomes a status symbol.