



## 1. Input:

MO

What is the meaning of 'ceteris paribus' and why is this term important?



## 2. Output ChatGPT:

"Ceteris paribus" is a Latin term that translates to "all other things being equal" or "all else held constant." It is often used in economics, statistics, and other social sciences to isolate the effect of a particular variable on an outcome, assuming that all other variables are held constant.

For example, if we wanted to study the relationship between the price of a product and the quantity demanded, we could use the ceteris paribus assumption to hold constant other factors that could influence demand, such as consumer income, tastes and preferences, and availability of substitute goods.

The ceteris paribus assumption is important because it allows us to isolate the effect of a single variable on an outcome, making it easier to understand the relationship between them. It also allows us to simplify complex systems, making them easier to analyze and model.

However, it's important to note that in the real world, it's often difficult or impossible to hold all other variables constant. As a result, the ceteris paribus assumption should be used with caution and interpreted with care, as it may not accurately reflect the complexities of real-world situations.

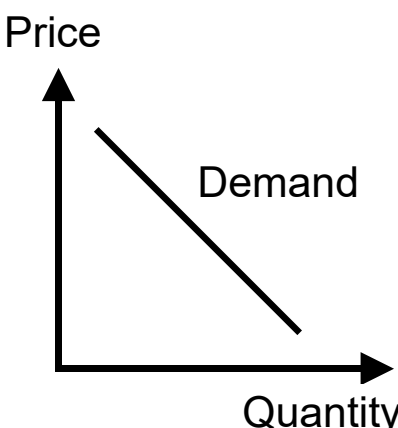
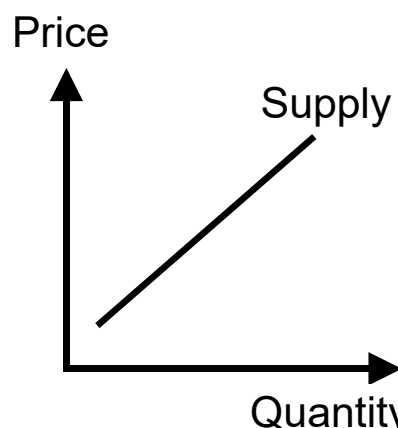


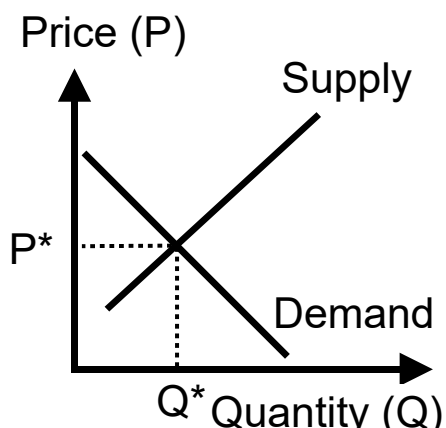
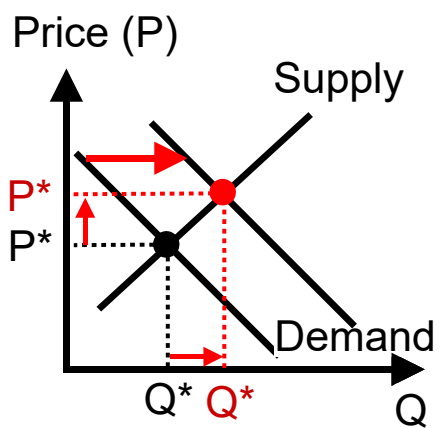
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### 3. *Graphs* about 'ceteris paribus'

Ceteris paribus and the market	
Demand	Supply
	
<p>The demand curve shows the relation between price and quantities demanded.</p> <p>All other variables which have an effect on demand (income, tastes, prices of other goods, number of buyers) are held <b>constant</b>. This is the condition of <b>ceteris paribus</b>.</p> <p>If one of these variables change, the demand curve is <b>shifted</b>. Below, income is increased.</p>	<p>The supply curve shows the relation between price and quantities supplied.</p> <p>All other variables which have an effect on supply (costs of input, productivity, regulations by the government, number of suppliers) are held <b>constant</b>. This is the condition of <b>ceteris paribus</b>.</p> <p>If one of these variables change, the supply curve is <b>shifted</b>.</p>

One of the variable (income) is increased and the good is normal.	
Equilibrium before the increase	Equilibrium after the increase
	
<p>This graph shows demand and supply in relation to the price. All other variables are constant.</p>	<p>Now one of these other variables (income), has increased. Therefore, demand shifts to the right. Equilibrium-price and equilibrium-quantity have increased.</p>