

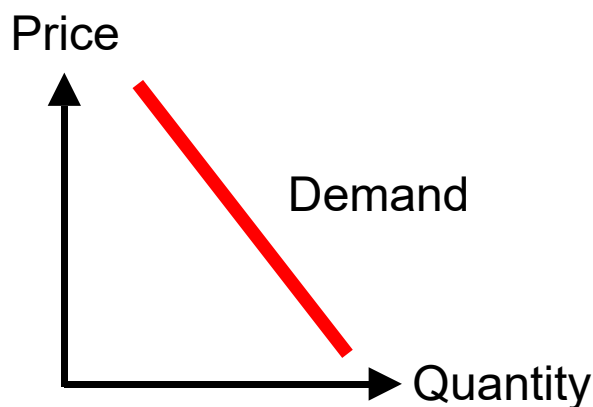
Ceteris paribus

1 Description

Ceteris paribus means that 'other things remain the same' or 'all else is constant'. This assumption allows the representation of the relationship between two variables in a XY-diagram, for example, the relationship between price and quantity. Please note that in this example the quantity is not only dependent on the price, but on many other variables ('all else'). According to the ceteris paribus-clause, these are considered constant.

2 Examples

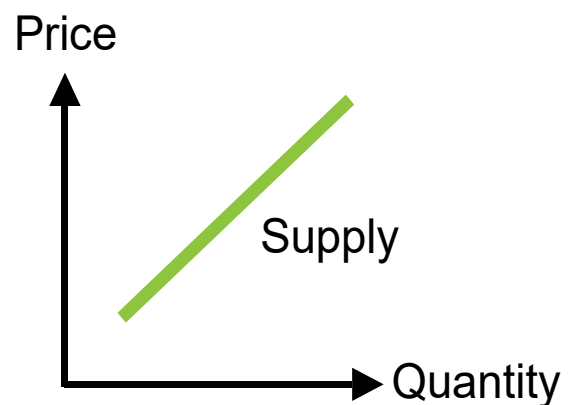
2.1 Demand



Constant variables:

- Income
- Prices of other goods
- Preferences
- Number of buyers

2.2 Supply



Constant variables:

- Input prices
- Productivity
- State intervention
- Number of sellers

If these variables are no longer constant, the shown curves shift to the right or to the left.