

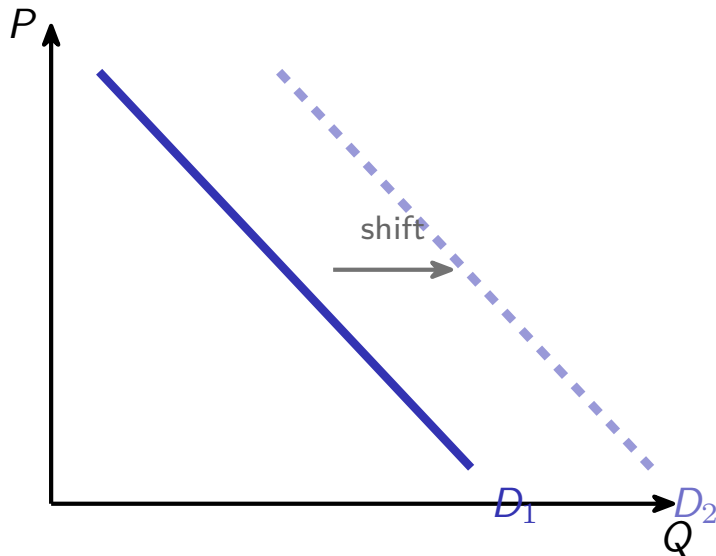
Exercise walk-through

1.4

Demand

AP Macroeconomics

The law of demand

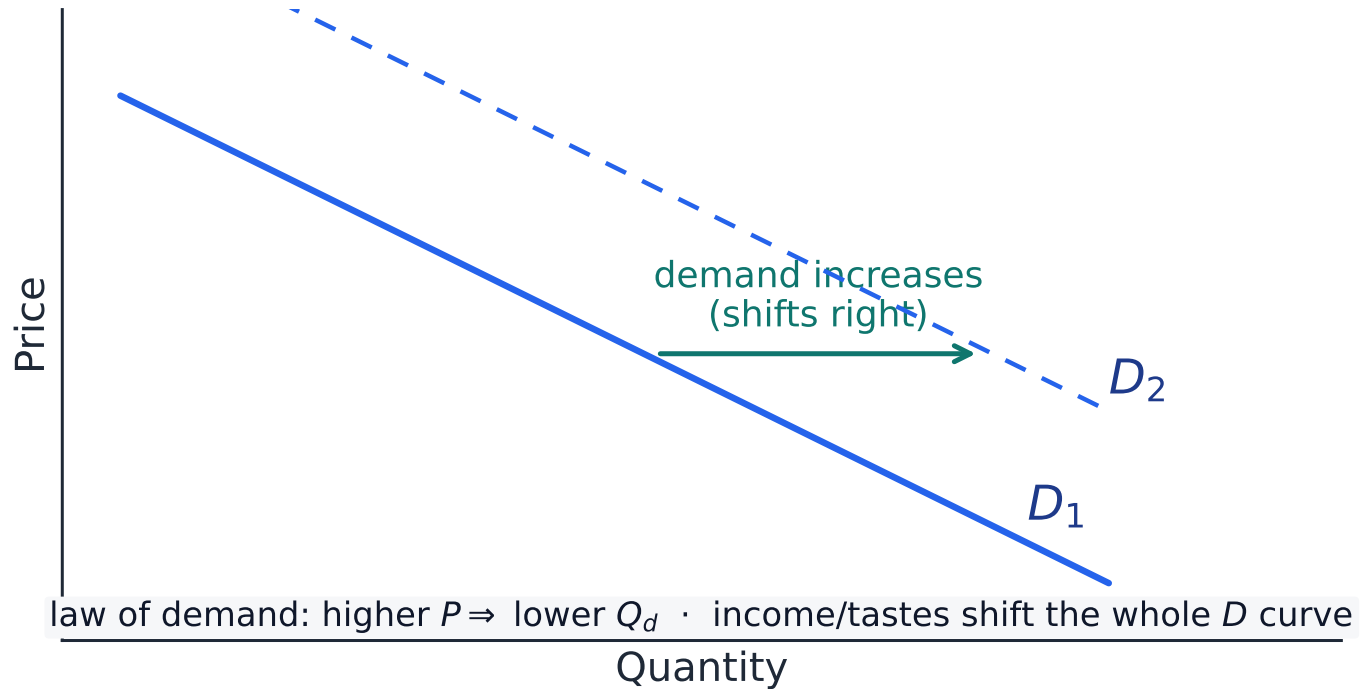


Demand : how much buyers will buy at each price. Higher price $\rightarrow$ lower **quantity demanded** – the curve slopes **down**.

Own price changes $\Rightarrow$ move **along**.

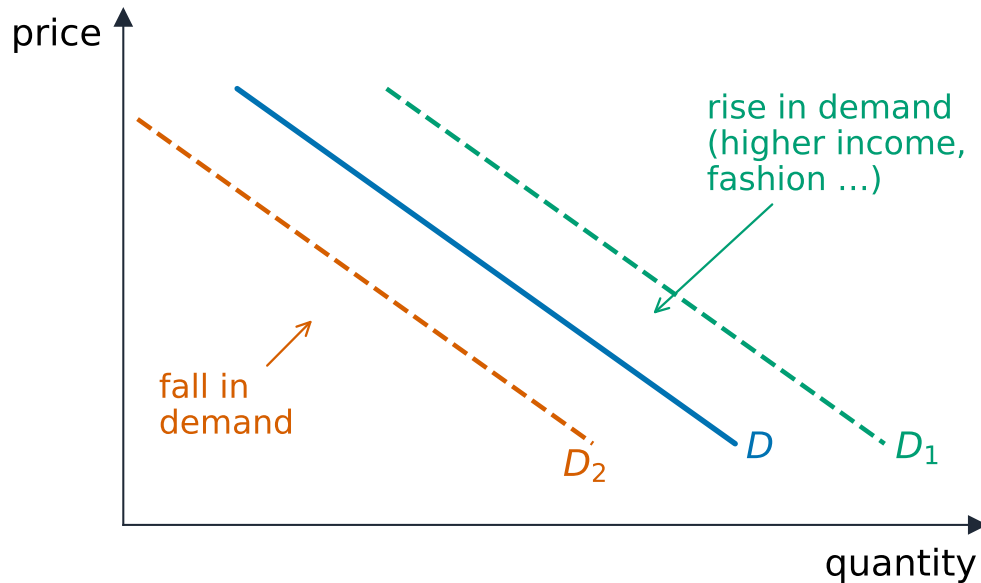
Anything else $\Rightarrow$ the whole curve **shifts**.

The law of demand slopes the curve – one



The law of demand slopes the curve downward; a determinant shifts the whole curve

The law of demand slopes the curve – two



The demand curve slopes down; income, tastes, and related prices shift it

What shifts demand? Remember TRIBE

Tastes

Related prices

Income

Buyers

Expectations

Substitutes : coffee up
⇒ demand for tea up

Complements : petrol
up ⇒ demand for cars down

Normal good : more income ⇒ more demand.
⇒ *less* demand.

Inferior good : more income

Exercises 2.1-2.3

2.1 State the law of demand.

[1]

2.2 State whether a change in the good's own price causes a movement along or a shift of the demand curve.

[1]

2.3 List three non-price determinants of demand.

[2]

Exercises 2.1-2.3

2.1 State the law of demand.

[1]

2.1

- as the price of a good rises, the quantity demanded falls (other things equal)

2.2 State whether a change in the good's own price causes a movement along or a shift of the demand curve.

[1]

2.2

- a movement along the demand curve

2.3 List three non-price determinants of demand.

[2]

2.3

- any three of: income, tastes, prices of related goods, expectations, number of buyers

Exercises 3.1-3.2

3.1 The demand curve slopes

[1]

☐

A upward

B downward

C vertically

D horizontally

3.2 A rise in income raises the demand for a

[1]

☐

A normal good

B inferior good

C substitute only

D complement only

Exercises 3.1-3.2

3.1 The demand curve slopes

[1]

☐

A upward

B downward

C vertically

D horizontally

3.1 B

- downward.

3.2 A rise in income raises the demand for a

[1]

☐

A normal good

B inferior good

C substitute only

D complement only

3.2 A

- normal good.

Exercise 3.3 (a)

3.3 The price of coffee rises sharply.

(a) State the effect on the quantity of coffee demanded.

[1]

Exercise 3.3 (a)

3.3 The price of coffee rises sharply.

(a) State the effect on the quantity of coffee demanded.

[1]

(a)

- it falls (a movement up the demand curve)

Exercise 3.3 (b)

3.3 The price of coffee rises sharply.

(b) State the effect on the demand for tea.

[1]

Exercise 3.3 (b)

3.3 The price of coffee rises sharply.

(b) State the effect on the demand for tea.

[1]

(b)

- demand for tea rises

Exercise 3.3 (c)

3.3 The price of coffee rises sharply.

(c) State what type of good tea is to coffee.

[1]

Exercise 3.3 (c)

3.3 The price of coffee rises sharply.

(c) State what type of good tea is to coffee.

[1]

(c)

- a substitute