

Exercise walk-through

2.2

Demand

IGCSE Economics

Movement along, or shift of, the curve

the law of demand

price rises, quantity demanded **falls**; price falls, quantity demanded rises

a movement along

caused by a change in the good's **own price** only

a shift of the curve

caused by anything else – a **determinant** changing

demand shifters

income, tastes, **advertising**, population, and the price of substitutes and **complements**

complements

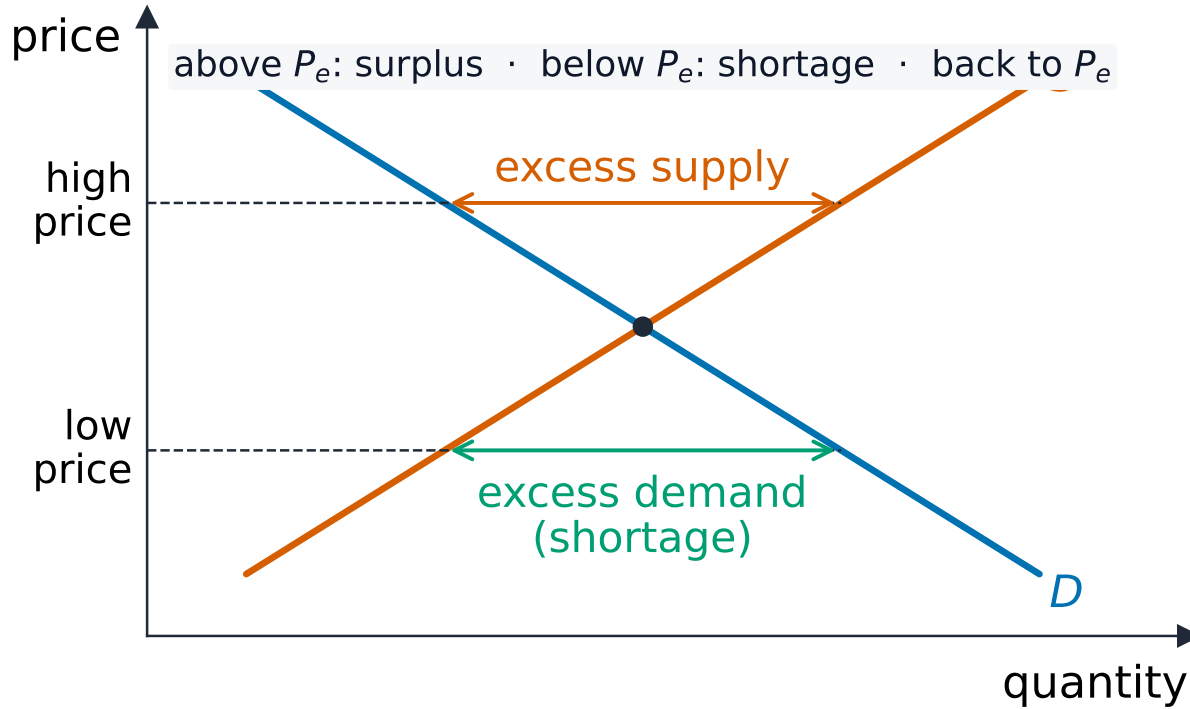
goods used *together* – cars and fuel. If cars get dearer, demand for fuel **falls**

supply shifters

costs of production, technology, taxes and subsidies, number of firms, and **weather** for farm goods

Ask one question: **did the good's own price change?** If yes, move along the curve. If no, shift it.

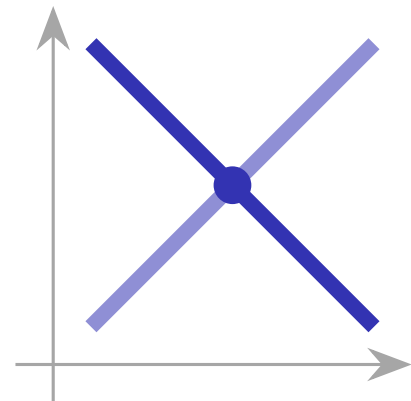
Equilibrium – two



Equilibrium

Check yourself

- 1 Which way does a demand curve slope?
- 2 What is the equilibrium price?
- 3 What does a maximum price cause?
- 4 Give one example of an external cost.



Answers 1. downwards 2. where demand = supply 3. a shortage 4. e.g. pollution

Exercises 2.1-2.3

2.1 State the *law of demand*.

[2]

2.2 State two conditions that shift the demand curve.

[2]

2.3 State the effect on the demand for tea of a rise in the price of coffee (a substitute).[1]

Exercises 2.1-2.3

2.1 State the *law of demand*. [2]

2.1

- the **law of demand**: when price **rises**, quantity demanded **falls** (and vice versa) (K)
-

2.2 State two conditions that shift the demand curve. [2]

2.2

- any **two** of: **income** / **tastes** / **price of a substitute or complement** / **population** / **advertising** (K, K)
-

2.3 State the effect on the demand for tea of a rise in the price of coffee (a substitute).[1]

2.3

- coffee is a **substitute** for tea
- demand for tea **rises** (K)

Exercises 3.1-3.2

3.1 A fall in the good's **own price** is shown on a demand diagram as a: [1]

☐

- A rightward shift of demand
- B leftward shift of demand
- C movement down along the demand curve
- D shift of supply

3.2 Using a demand diagram, explain how a rise in consumer income affects the demand for a normal good. [4]

Exercises 3.1·3.2

3.1 A fall in the good's **own price** is shown on a demand diagram as a: [1]

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- A rightward shift of demand
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- C movement down along the demand curve
- D shift of supply

3.1 C

- a change in the good's **own price** is a **movement along** the demand curve (K)
- A and B are shifts; D is supply, not demand

3.2 Using a demand diagram, explain how a rise in consumer income affects the demand for a normal good. [4]

3.2

- draw a labelled demand diagram: demand shifts **right** $D \rightarrow D_1$ (K)
- higher income raises demand for a **normal good** (An)
- more is demanded **at every price** (An)

Exercise 3.3

3.3 Analyse how a successful advertising campaign would affect the demand for a product. [6]

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3.3

- advertising is a **condition of demand** (K)
- a successful campaign makes the product more popular (An)
- the whole demand curve **shifts right** → demand rises (and, with supply unchanged, price and quantity rise) (An)