AP MACROECONOMICS • EXERCISE SHEET

1.4 Demand

Name: ______________ Class: __________ Date: ____________ **Total: 9 marks**

KEY WORDS demand 需求 • determinants of demand 需求的决定因素 • law of demand 需求定律 • inferior 低档品 • normal 正常品

Objective

Build the skills to answer exam questions on **demand**.

You must be able to:

- state the **law of demand** 需求定律 and explain the inverse price-quantity relationship
- distinguish a change in **quantity demanded** (movement) from a change in **demand** (shift)
- identify the **determinants of demand** 需求的决定因素
- classify goods as **normal** 正常品 or **inferior** 低档品, **substitutes** 替代品 or **complements** 互补品

1 Worked examples

Study these first. Each one shows the method for a question type used later.

■ The law of demand

As price **rises**, quantity demanded **falls** (an inverse relationship), so the demand curve slopes **downward**.

■ Movement vs shift

A change in the good's **own price** is a **movement along** the curve (a change in quantity demanded). A change in a **determinant** shifts the whole curve (a change in demand).

■ Determinants of demand

Income, tastes, prices of related goods (substitutes and complements), expectations, and the number of buyers. A rise in income raises demand for a **normal** good and lowers it for an **inferior** good.

2 Practice

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]

3 Exam-style questions

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

3.3 The price of coffee rises sharply.

(a) State the effect on the quantity of coffee demanded. [1]

(b) State the effect on the demand for tea. [1]

(c) State what type of good tea is to coffee. [1]

Solutions

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

2.2 a movement along the demand curve.

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

3.1 **B**.

3.2 **A**.

3.3 (a) it falls (a movement up the demand curve). (b) demand for tea rises. (c) a substitute.