Exercise walk-through

Demand ▪ 2.2

eXercise

You must be able to

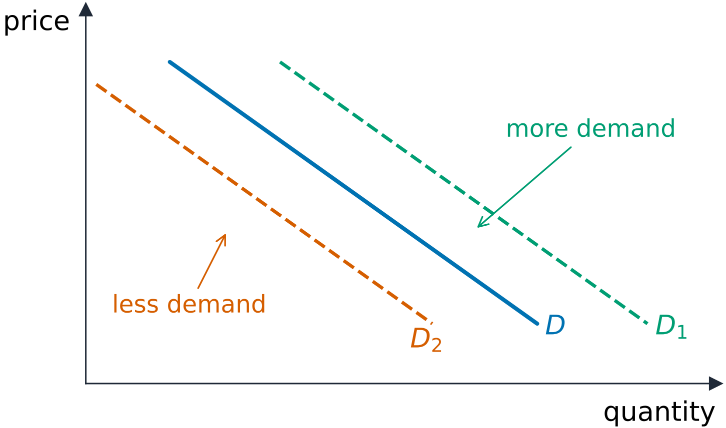
- state the law of demand and explain the downward curve
- distinguish a movement along from a shift of the demand curve
- explain the conditions that shift demand

Method — The demand curve

- **Law of demand:** price up → quantity demanded down (an **inverse relationship 反向关系**), *ceteris paribus*.
- **Conditions of demand** (shift the curve): **income 收入**, **tastes 偏好**, price of a **substitute 替代品** / **complement 互补品**, **population 人口**, advertising.

Answer shapes: an **Analyse [up to 6]** answer may use a demand diagram; **Discuss [8]** adds a judgement (Ev).

Method — The demand curve



A change in income, tastes or related prices shifts the whole demand curve

Practice 2.1 ▪ 2 marks

State the *law of demand*.

Solution 2.1

Worked steps

when the price of a good rises, the quantity demanded falls, and when the price falls, the quantity demanded rises (2 for a clear statement; 1 for a partial idea).

Practice 2.2 ▪ 2 marks

State two conditions that shift the demand curve.

Solution 2.2

Method: The demand curve

Worked steps

any two of: income; tastes; price of a substitute/complement; population; advertising $(1 + 1)$.

Practice 2.3 ▪ 1 mark

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

Solution 2.3

Method: The demand curve

Worked steps

the demand for tea rises (1).

Exam-style 3.1 ▪ 1 mark

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

A rightward shift of demand

B leftward shift of demand

C movement down along the demand curve

D shift of supply

Solution 3.1

Method: The demand curve

A rightward shift of demand

B leftward shift of demand

C movement down along the demand curve ✓

D shift of supply

Worked steps

C. An own-price change is a movement along the demand curve.

Exam-style 3.2 ▪ 4 marks

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

Solution 3.2

Method: The demand curve

Worked steps

[4] K 1 + **diagram up to 2** (labelled axes, demand shifts right $D \to D_1$) + An 1 — higher income raises demand for a normal good $\to$ the curve shifts right $\to$ more is demanded at every price.

Exam-style 3.3 ▪ 6 marks

Analyse how a successful advertising campaign would affect the demand for a product.

Solution 3.3

Method: The demand curve

Worked steps

[6] K/App/An — advertising is a condition of demand $\rightarrow$ a successful campaign makes the product more popular and known $\rightarrow$ at every price, more consumers want to buy it $\rightarrow$ the whole demand curve shifts to the right $\rightarrow$ demand rises (and, with supply unchanged, the price and quantity rise).