

Demand

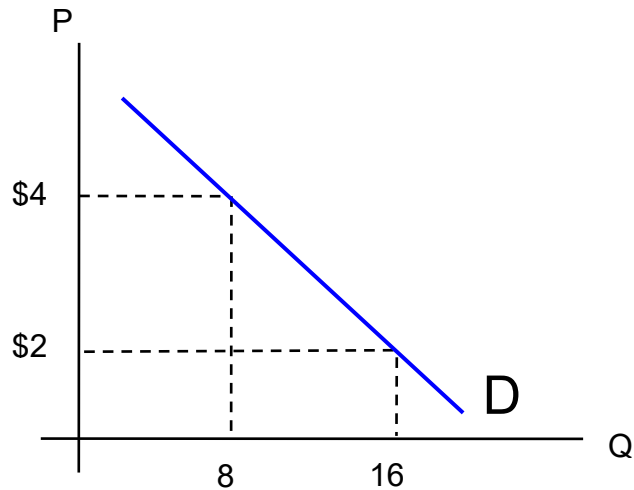
■ The quantity buyers would purchase at a given price

➤ Willingness to pay at each possible price

■ Demand curve

➤ Negative slope

- Consumers buy less at high prices
- Consumers buy more at low prices



Law of Demand

Inverse relationship between the price of a good and the quantity buyers are willing to purchase in a defined time period,

Movement Along the Supply Curve

- When price goes up, quantity supplied goes up.
- When price goes up, sellers move to a new, higher quantity supplied.
- A change in quantity supplied results from a change in the price of a good.

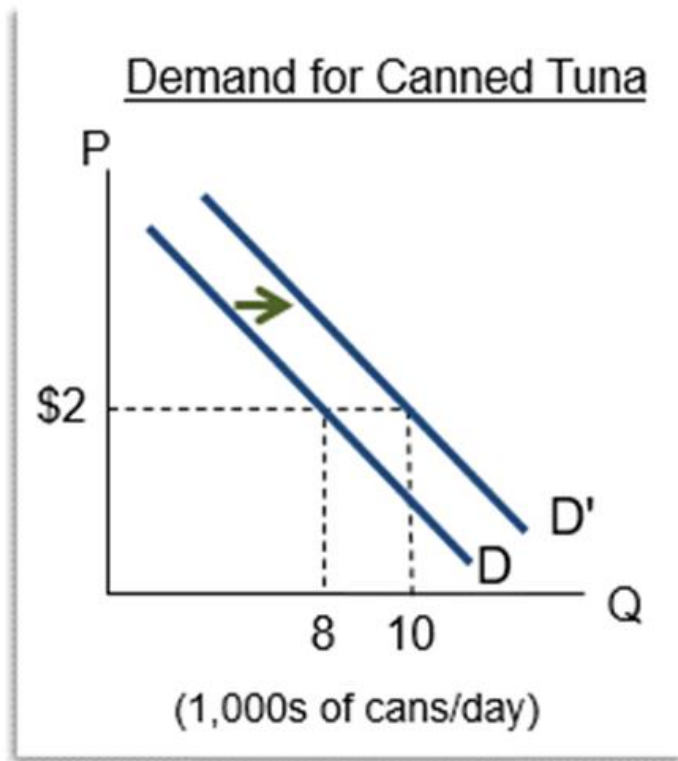
Shift in Demand

- If buyers are willing to buy more **at each price**, then demand has increased.

Move the entire demand curve to the right.

Change in demand.

- If buyers are willing to buy less at each price, then demand has decreased.



Causes of Shifts in Demand:-

1. Price of complementary goods
 - Tennis courts and tennis balls
2. Price of substitute goods
 - Internet (email) and overnight delivery (letters)
3. Income: normal or inferior goods?
4. Preferences

➤ Dinosaur toys after *Jurassic Park* movie

5. Number of buyers in the market

6. Expectations about the future

Price changes never cause a shift in demand

Example 1:- Tennis Market

If the price of renting for tennis court decreases, demand for tennis balls increases.

- Tennis courts and tennis balls are complements.

Final Question:-

→ Demand for normal good increase
the curve will shift to the right



Question One (9 points)

1. Answer the following question:

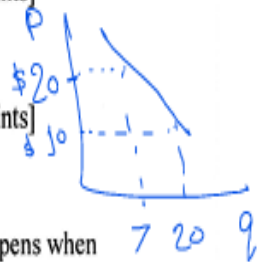
1A. Economics is the study of how people make choices under conditions of scarcity.

What does the scarcity principle mean?

[3 points]

1B. Define the opportunity cost of an activity concept?

[3 points]



→ 1C. Buyers buy more at lower prices and buy less at higher prices. What happens when price goes up?

[3 points]

→ The quantity demanded will decrease
the relationship between price and quantity is inverse

Question Two (12 points)

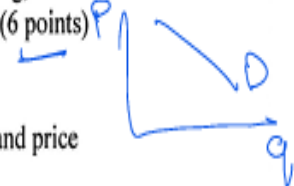
→ 2A. What does the demand curve show? Draw a graph, with full labelling, that shows the impact of an increase in income on demand.

(6 points)

→ 2B. According to the law of demand,

- ☒ a) there is a positive relationship between quantity demanded and price
- ☒ b) as the price rises, demand will shift to the left
- ☒ c) there is a negative relationship between quantity demanded and price
- ☒ d) as the price rises, demand will shift to the right
- ☒ e) as the price rises, consumers switch their purchases to substitute goods

negative
relationship
inverse



3B. Suppose that as the price of Grapes rises, people switch from eating Grapes to eating oranges. This is known as

- تحويل
- A) the normal effect of a price change.
 - B) the income effect of a price change.
 - C) a decrease in the demand for Grapes.
 - D) the substitution effect of a price change.

3C. Two goods are complements if

- مكمل
- A) people tend to consume either one or the other. X
 - B) there are no substitutes for either of them. X
 - C) an increase in the price of one good leads to a decrease in demand for the other.
 - D) an increase in the price of one good leads to an increase in demand for the other.

Try it yourself

2C. Which of the following is likely to lead to a decrease in the demand for tennis balls?
Choose your answer and explain why?

- A) An increase in the price of the rubber used to make tennis balls.
- B) An increase in the price of tennis balls.
- C) An increase in the price of tennis racquets.
- D) An increase in the expected future price of tennis balls.

Question Three (9 points)

3. Answer the following question:

- a. What does the demand curve show?

[3 points)

12. Explain, using diagrams, what will happen to the meat market if the wages of cows farmers increase?

3. A movement along the demand curve for a good occurs when:

- A) the price of the good changes.
- B) consumer income changes.
- C) the price of a substitute good changes.
- D) consumer preferences change.

4. If the supply of a product decreases and demand remains constant, what is likely to happen to the market price and quantity?

- A) Price will decrease, and quantity will increase.
- B) Price will increase, and quantity will decrease.
- C) Price will decrease, and quantity will decrease.
- D) Price will increase, and quantity will increase.

5. Which of the following would cause a rightward shift in the demand curve for a normal good?

- A) An increase in the price of the good.
- B) A decrease in consumer income.
- C) An increase in the price of a substitute good.
- D) An increase in the price of a complementary good.

Question Four (25 points)

State whether the following pairs of goods are complements or substitutes. (If you think a pair is ambiguous in this respect, explain why.)

- a. Coffee and tea.
- b. Tennis racquets and tennis balls.
- c. Car and gasoline
- d. Cloth diapers and paper diapers.

