

Demand: Some Problems!

Webnote 20⁷

Task 1: Demand for Coffee: what are the effects of the following events on the demand for Coffee? Use concept of *Ceteris Paribus*.

What are the effects of the following events on the demand for **COFFEE**?

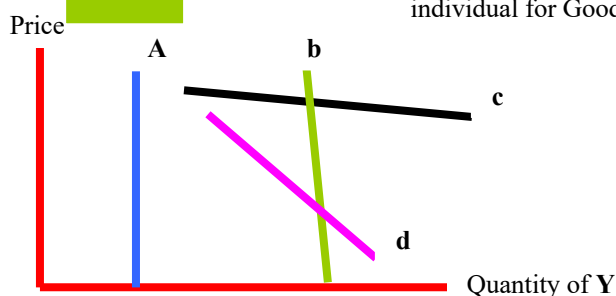
Effect: how is demand affected? Use a diagram. (hint: shift left /right or movement! Or !)

- (1) Increase in household income.
- (2) Decrease in national income (GDP)
- (3) Rise in the price of substitute goods.
- (4) Rise in the price of complementary goods
- (5) Fall in the price of coffee
- (6) Fall in the price of substitute goods
- (7) Change in taste in favour of Tea. Tea is now more popular.
- (8) Tea firms launch successful advertizing in schools.
- (9) Research shows that the drink is bad for health
- (10) Coffee is shown to increase levels of dehydration
- (11) Tea producers combine to pay for a large advertising campaign
- (12) Coffee retailers collude in Duesseldorf

NOTe: assume 'ceteris paribus' applies in all cases
This means that only 1 variable changes at any given time.

Answers: will be made available online

Task 2: Table 1: Demand schedule for one individual for Good X



Price	Good X
40	0
30	1
20	2
10	3

Answers: will be made available online

1. draw a demand curve for good X.
2. what is the slope of the line? 'rise over run'
3. what can you conclude about the demand by this consumer. Is the consumer rational?
4. in what type of good/service market do you think you might find such a demand line?
5. do you think it is a competitive market?
6. What is effective demand?

Note: Q 6 requires a simple definition.

Answers: will be made available online

Task 3

Demand Tasks: (match each statement below with a or b or c or d in Figure 1)

1. demand curve for water used by a wine grower in Australia during a drought.
2. demand curve a consumer looking to buy potatoes at a large outdoor market with 200 sellers offering the same product in the same market.
3. demand curve for tickets just before a world cup final football final
4. demand curve for 'flat pack' furniture from Ikea. (assemble yourself at home)
5. demand curve for the 'I' phone- latest edition!
6. demand for heroin by a heroin addict.

Answers will be posted online

Xtra Question:

Economics is interested in the inverse of slope: 'run over rise.

Can you guess why?