Demand Lesson 1

1. **What we understand by the term ‘demand’**
2. **How ‘demand’ varies according to the price of a product/service.**
3. **Demand** or ‘**Effective Demand**’ is defined as :-

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. For example, as an economics teacher can I **demand** a Ferrari? Explain your answer.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. We will now look at the relationship between the **price** of a product and the quantity **demanded** for that product.
   * As a class I would like you all to stand up. We will assume that you all like chocolate (**Chunky Kit Kat**).
   * Remain standing if you would be prepared to buy a Chunky Kit Kat at the following prices. (Complete the table)

|  |  |
| --- | --- |
| **Price** | **Demand (Number of Students)** |
| **0 $** |  |
| **0.5 $** |  |
| **1 $** |  |
| **1.5 $** |  |
| **2 $** |  |
| **2.5 $** |  |
| **3 $** |  |

1. On the graph on the next page illustrate the relationship between the price of Chunky Kit Kat’s and the quantity demanded.

**Price**

**Quantity Demanded**

1. How would you describe the relationship between price and quantity demanded?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. The **law of demand** states that :-

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. On the diagram below illustrate the law of demand.

**Price**

**Quantity Demanded**

1. We now need to consider what other (**non-price**) factors determine demand for a product. Complete the table below and think about the (**non-price**) factors that determine demand for Madonna Concert Tickets.

|  |  |
| --- | --- |
| **Factor** | **Explanation** |
| wallet |  |
| [Image result for margarine or butter](http://www.google.com/imgres?imgurl=https://goodmorninggloucester.files.wordpress.com/2014/04/butter.jpg&imgrefurl=https://goodmorninggloucester.wordpress.com/2014/04/30/do-you-know-the-difference-between-margarine-and-butter/&h=1024&w=1280&tbnid=hNjCvWHD1bnzHM:&docid=SG1Gmu6KYvqDhM&ei=QQXvVdDvK4SryQTTnpOgAg&tbm=isch&ved=0CCwQMygMMAxqFQoTCJCU2M_m58cCFYRVkgodU88EJA) |  |
| [http://media.newfoodmagazine.com/wp-content/uploads/Milk-cereal.jpg](http://www.google.com/url?sa=i&rct=j&q=&esrc=s&source=images&cd=&cad=rja&uact=8&ved=0CAcQjRxqFQoTCPrBwJ7n58cCFQhdkgodQI8OuA&url=http://www.newfoodmagazine.com/8284/news/new-study-reveals-benefits-of-multi-micronutrient-fortified-milk-and-cereals/&bvm=bv.102022582,d.aWw&psig=AFQjCNEsO6l0VGIFfM_Kx2o_SaCuBNUwJg&ust=1441814350962512) |  |
| frownball-classic04  **… (Other Factors)** |  |

1. Think of your own product and consider the factors that determine its demand. (You must think **in context**).

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. If we hold all other factors **constant** (ceteris paribus) and increase price then there will be a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in quantity demanded. If price is decreased then there will be an \_\_\_\_\_\_\_\_\_\_\_\_\_\_ in quantity demanded.

* Illustrate this on the diagram below.

**Price**

**Quantity Demanded**

Demand Lesson 2

1. **Review what happens to quantity demanded when the price of a good falls/rises.**
2. **Consider the effect on the demand curve when other variables change.**
3. j0237167Draw the demand curve on the board to show when demand extends and when it contracts.

**Price**

**Quantity Demanded**

1. When we draw a demand curve we are plotting the relationship between price and quantity demanded. How do we illustrate what happens when one of the other variables change?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Draw the two diagrams that are being drawn on the board. (Both illustrate the market for **shoes**) Let us assume that there is a **general increase in consumer income**. What would happen to the amount of shoes that people would be willing to buy at any given price?

**Price**

**Quantity demanded**

1. Now let us imagine that your income falls. What would happen to the amount of shoes you would be willing to consume at a certain price.

**Price**

**Quantity demanded**

1. **Draw demand curves to illustrate the following. We are considering the market for soft drinks/soda**

* There have been **successful advertising** campaigns by Pepsi and Coca-Cola.

j0199315

**Price**

**Quantity demanded**

* The price of soft drinks **fell**.

**Price**

**Quantity demanded**

* There is an **increase** in the **price of mineral water**

**Price**

**Quantity demanded**

* There has been an **increase in the population**.

j0240341

**Price**

**Quantity demanded**

* In the table below summarize the factors that lead to a shift in demand (left shift or right shift) and those factors that lead to an extension or contraction of the demand curve.

|  |  |
| --- | --- |
| **Extension/Contraction** | **Shift** |
|  |  |