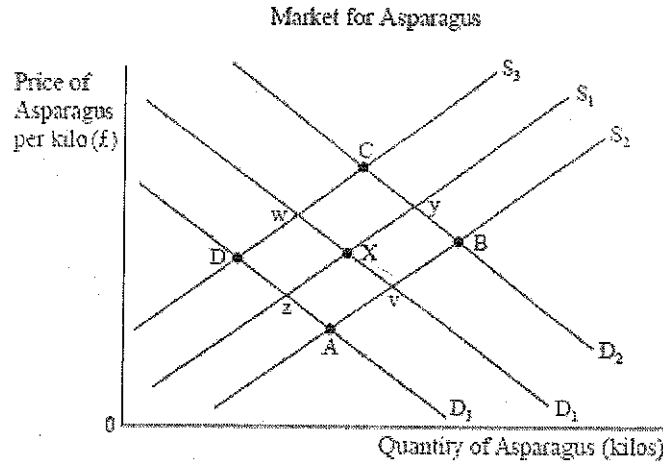


23.
1



The diagram shows the market for asparagus. The initial equilibrium position is indicated by point X.

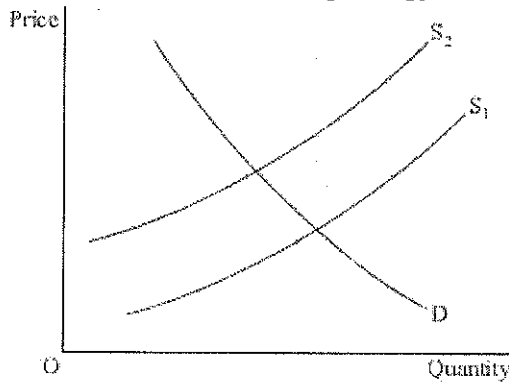
Following a successful advertising campaign for asparagus and a sustained period of rain which damaged the asparagus crop, what would be the new equilibrium point (A, B, C or D)?

- A. A
- B. B
- C. C
- D. D

18. As consumers have become more concerned about the amount of saturated fat in their diet, the demand for fresh chicken has increased whilst the demand for fried chicken nuggets has fallen. The result of this is likely to be
- A. A rise in the market price of fried chicken nuggets
 - B. An increase in the quantity supplied of fried chicken nuggets
 - C. A decrease in the quantity supplied of fresh chicken
 - D. A rise in the market price of fresh chicken

19. An increase in the price of fresh vegetables will most likely result from
- A. an increase in the price of a complementary product
 - B. a decrease in the price of a substitute product
 - C. a decrease in the price of fertilisers used in vegetable growing
 - D. flooding affecting farmers during the harvesting season

20.



The diagram shows the demand and supply curves for bricks. Which one of the following might explain the shift in the supply curve from S1 to S2?

- A. A fall in the demand for new homes
- B. A rise in the cost of materials used in making bricks
- C. A fall in mortgage interest rates
- D. A government subsidy to brick producers

- 6. Joint supply is where an increase in
1
 A. Demand for one good leads to an increase in the demand for another
 B. Higher production of one good leads to a decrease in the output of another
 C. Extra production of one good leads to an increase in output of another
 D. Higher demand for one good leads to a decrease in demand for another
- 7. Unfavourable climatic conditions in the major fruit-growing areas in Spain are most likely to lead to
1
 A. an increase in demand for fruit and increased prices
 B. an increase in supply of fruit and decreased prices
 C. a decrease in demand for fruit and decreased prices
 D. a decrease in supply of fruit and increased prices

Inverse

- 8. The law of demand is that there is an [A] _____ relationship between the price of a good and demand. As prices fall we see an [B] _____ of demand. If price rises there should be a [C] _____ of demand

decrease

Increase

Elastic

- 9. Substitutes are goods in [A] _____ demand and act as replacements for another product

- 10. A situation in which quantity [A] _____ is greater than quantity [B] _____

- 11. Subsidies represent payments by the government to suppliers. The effect of a subsidy is to [A] _____ supply and therefore [B] _____ the market equilibrium price

- 12. Oil is a substitute for coal. If the price of oil increases, then
1
 A. the demand curve for coal will shift to the right
 B. the quantity of coal demanded will decline
 C. the supply curve for coal will shift to the right
 D. the equilibrium price and quantity of coal will not change

Increase

decrease

- 13. Suppose the government reduces subsidies paid to dairy farmers. The most likely effect on the price of dairy products would be
1
 A. an increase as there would be a decrease in the supply of milk
 B. a decrease as there would be a decrease in demand for milk
 C. an increase as there would be an increase in demand for milk
 D. a decrease as there would be an increase in the supply of milk

- 14. As a result of a substantial increase in wages paid to carpenters, we would expect that the price of new houses would
1
 A. decrease as there would be an increase in the supply of new housing due to higher production costs
 B. increase as there would be a decrease in the supply of new housing due to higher production costs
 C. increase as there would be an increase in the demand for new housing across the community
 D. decrease as there would be a decrease in the demand for new housing across the community

Worksheet 5C

Exercise 1: Identifying the determinants of demand. In worksheet 5B, you have seen how an increase in demand is depicted on a graph by a shift in the demand curve.

- When the demand curve shifts upward and to the right, this is indicative of an increase in demand.
- When the demand curve shifts to the left, this is indicative of a decrease in demand.
- Factors that result in a change in demand are the determinants of demand.

Working as a part of a team of three or four, complete the table below. For each determinant of demand:

- indicate whether demand will increase or decrease;
- provide an explanation as to why.

Determinant of demand	Demand increases or decreases?	Explanation
Population increases	↑	
Population decreases	↓	
Increase in most peoples' income	↑	
Decrease in most peoples' income	↓	
Price of substitute increases	↑	
Price of substitute decreases	↓	
Price of complementary good increases	↓	
Price of complimentary good decreases	↑	
Product becomes a popular fad (change in taste of buyers)	↑	
Product now out of fashion (change in taste of buyers)	↓	
There is an expectation that the price of the product will soon fall	↓	
There is a fear that the economy will go into a recession where many firms will fail and unemployment will increase	↓	

Movement along the curve or a shift in the demand curve? Complete the table below by indicating whether each scenario results in a change in the quantity demanded (movement along