

Quick Answers

Question 1

Explain the difference between an extension in demand and an increase in demand.

Logical explanation which might include:

- An extension in demand is caused by a change in the price of the product (1) rise in quantity demanded (1) it is shown by a movement along the demand curve (1)
- An increase in demand is caused by a change in an influence on demand other than a change in the price of the product / means more is demanded at each and every price (1) example of a cause of an increase in demand e.g. rise in incomes (1) it is shown by a shift in the demand curve (1)

Guidance:

- Up to 2 marks for diagram(s) showing the difference
- Maximum of 2 marks for extension in demand and a maximum of 2 marks for an increase in demand

Question 2

Discuss whether or not demand for coffee is likely to rise in the future.

Level 3 (6-8 Marks)

A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes

Why it might:

- incomes may rise increasing people's ability to buy coffee

- price may fall (due to e.g. subsidies) increasing people's willingness and ability to buy coffee
- the quality of coffee may rise
- population may increase

Why it might not:

- price of substitutes, such as tea / coffee produced by other countries, may fall so people may switch away from drinking coffee
- there may be a health report suggesting that drinking coffee is harmful to health
- the price of complements, such as milk, may rise
- taxes / tariffs may be imposed on coffee
- Less may be spent on marketing

Example of a Level 2 answer:

Coffee is an inelastic good which means the demand for it remains the same irrespective of the price. The demand for coffee increases with time as the population grows, so demand may be a constant growth. However, demand may not rise in the future as there are alternatives to coffee. Education on the harmful effects of coffee has increased leading to less consumption of coffee, reducing the demand for it.

Principal Examiner comment:

The answer is two-sided but lacks depth. It starts with a confused statement on the meaning of a product having price-inelastic demand. It then correctly identifies an influence on demand for coffee (population) and shows understanding of how an increase in population will affect demand for coffee. On side two, the influence of alternatives (substitutes) is accurate and there is a clear link between education and reduced demand for coffee. More discussion on, for example, changes in relative price or quality of substitutes would have been appropriate

Question 3

Identify, from the extract, two pairs of substitutes.

- Driverless cars and bus travel
- Driverless cars and taxi travel
- Bus travel and taxi travel

- Machines / advanced technology and workers

Question 4

Analyse why the demand for a product may be higher in one country than in another country.

- Incomes may be higher (1) allowing people to buy more of the product (1)
- There may be a larger population (1) more potential buyers (1)
- The product may be more to the taste of people in that country (1) example e.g. falafel is popular in the middle east (1)
- The product may be more heavily advertised (1) which may increase the attractiveness of the product (1)
- Price may be lower (1) due to lower costs of production / government subsidy / lower (indirect) taxes (1)
- Price of substitutes may be higher (1) example (1)
- Credit may be more available / interest rate lower (1) making it easier for people to borrow to buy the product (1)

Question 5

Analyse the possible reasons for the increase in global demand for bicycle helmets.

- Increase in popularity of cycling (1) helmets are complements to bicycles (1) quantity demanded for bicycles increasing would increase the demand for helmets (1)
- Increase in environmental awareness (1) less driving (1) more bicycles (1) thus, more demand for bicycle helmets (1)
- Increase in health and safety awareness (1) dangers of cycling (1) increased awareness of benefits of helmets (1)
- Increase in income (1) bicycle helmet is normal good (1) YED positive (1)
- Increase subsidies for bicycles (1) decrease price of bicycles (1)

- Increase demand for bicycles (1) increase demand for bicycle helmets Increase in population (1)
- Reduction in price of helmets (1)

Guidance

- 2 marks could be awarded for an accurately drawn Demand and Supply diagram

Question 6

Discuss whether or not car travel will increase in the future.

Up to 5 marks for why it might:

- Price of cars may fall (1) encouraging more people to buy cars (1)
- Price of petrol may fall (1) making it cheaper to run a car/petrol is a complement to cars (1)
- Population may increase (1) more potential drivers (1)
- More roads may be built (1) reduce time of car journeys (1)
- People may live further from work (1) requiring longer journeys (1)
- Driverless cars (1) may enable more people e.g. those with poor eyesight to use cars (1)
- Income may rise (1) enabling people to buy and use more cars (1)

Up to 5 marks for why it might not:

- Price of substitute travel may fall (1) e.g. due to government subsidising rail travel (1)
- Taxes on car travel may rise (1) raising the cost of car travel (1)
- Parking charges may increase (1) parking is a complement to car travel (1)
- Congestion may rise (1) increasing travel time (1)
- Greater concern about the environment (1) may encourage some people to switch to more environmentally friendly forms of transport (1)

Question 7

Explain two influences on a country's demand for food

- Increase in population size (1) would increase demand as more people consume food (1)
- Increase in prices (1) will reduce demand and vice versa (1)
- Increase in income (1) increase demand for food as people have more purchasing power (1)
- Health awareness (1) in some countries if people become more aware of the health problems of obesity, demand for food may decrease (1)
- Increase in proportion of young people (1) consume more than old people so demand will rise/patterns of consumption are different (1)
- The opening of fast food chains (1) may increase demand for meat (1)
- Advertising (1) may persuade people to eat more (1)

Question 8

Define a substitute and give an example.

- A rival product / a product that can be used instead of another (1) e.g. bus travel and car travel / oranges and apples (1)