

## Demand

### Assessment Task

#### **How needs and wants determine demand (Pair activity) (LO1 AS3)**

Read the information below and answer the questions that follow.

In previous grades you learned that 'needs' are those things you have to have in order to survive and 'wants' are things that improve your lifestyle, the nice-to-haves. Needs and wants create a demand in the market. Consumers are willing to buy the goods and services producers offer because the goods and services satisfy their needs and wants. When the goods and services are sold at an affordable price (or a price the consumers are willing to pay), consumers will buy the goods and services. If consumers need or want a product or service, but they cannot afford it, this need or want does not form part of demand. Demand only refers to how much of a product consumers are willing to buy at a certain price at a certain time. For example: Chico bakes biscuits to sell. Everybody loves the biscuits, and he makes lots of money. He increases the price. Now people buy Rina's biscuits, which are just as nice, but cheaper. The demand for Chico's biscuits decreases, and the demand for Rina's biscuits increases. The demand tells Chico to bake less or to reduce his prices, and it tells Rina to bake more and to keep her prices steady or increase them slightly after a period of time. So the demand helps to keep prices in check.

- a) Why do you think basic needs are the same for most people, but their wants differ?
- b) Looking at the example of Chico and Rina, what do you think would happen if Rina suddenly doubled the price of her biscuits?
- c) Who are the consumers in the market?
- d) You have learned that needs and wants determine demand, yet they are not the same thing. Explain the difference between them.

#### **Peer assessment checklist**

<b>Criteria</b>	<b>Yes</b>	<b>No</b>
My partner could explain why basic needs are the same for most people, but wants differ.		
My partner could explain what would happen if Rina suddenly doubled her biscuit price.		
My partner could explain who the consumers in the market are.		
My partner could explain why needs and wants determine demand, yet they are not the same thing.		

