**IG1 ECONOMICS SUMMER WORK**

**1** The 2014 crop of Arabica beans, used to make coffee, was reduced by a drought which occurred

in Brazil in early 2014. The reduction in production pushed up the price of coffee. The higher price

influenced the quantity of coffee demanded and the demand for its substitutes and complements.

The demand for coffee tends to be price-inelastic.

**(a)** Giving an example, define ‘complements’. [2]

**(b)** Explain two reasons why demand for a product may be price-inelastic. [4]

**(c)** Using a demand and supply diagram, analyse the effect of a rise in the price of coffee on the

market for tea. [6]

**2** In 2014 Cuban doctors were given pay rises that significantly increased their salaries. This made doctors’ pay more than twice that received by nurses. Cuba is devoting more resources to both medical care and tourism, altering the country’s production possibility curve. Living standards are increasing in the country but at a slower rate than some other nearby countries.

**(a)** What is meant by a production possibility curve? [2]

**(b)** Explain, giving examples, two factors of production used in the tourism industry. [4]

**(c)** Analyse why doctors are paid more than nurses. [6]