

Related Goods  $\rightarrow$  1. substitute goods  
 $\downarrow X, \uparrow Y$   
 2. complimentary goods  
 (consumed together)

ALL other factors are const

$\uparrow P_2$   $P_1$  const

$\downarrow X$

$\downarrow Y$

$\uparrow P_x$

$P_y$  const

Different factors affecting demand:

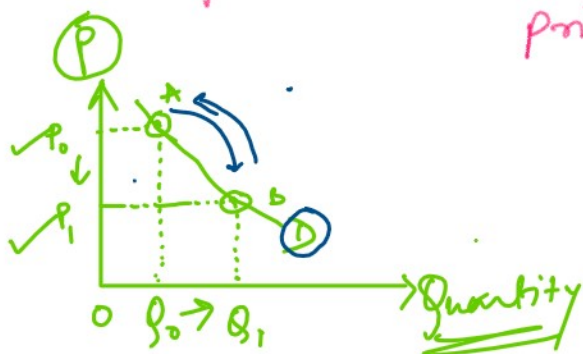
- ① Price of own commodity
- ② Income of the consumer
- ③ Price of related goods  $\begin{matrix} \leftarrow P^s \\ \rightarrow P^c \end{matrix}$
- ④ Taste and Pref (T)
- ⑤ Seasonal changes
- ⑥ Expectation regarding future prices
- ⑦ Advertisement

100  
(income)

$\frac{100}{10} (\frac{10}{10}) \rightarrow \frac{5}{1} (\frac{20}{10})$

Law of Demand: All factors remaining constant, if the price (P) of the commodity falls then the quantity demanded by the buyer will increase. This inverse relation between price change and quant demanded is Law of demand.

(Acc to " "  $\Rightarrow$  demand curve is downward sloping.)



∴ demand.

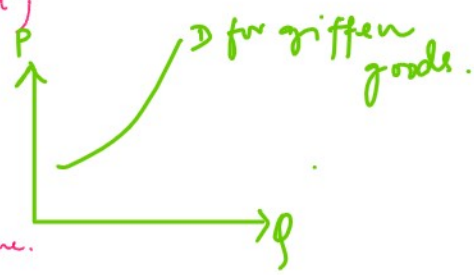
(normal) downward sloping.)

Normal goods  $\rightarrow$  those goods, demand (follow law of demand) for which increases with increase in income.

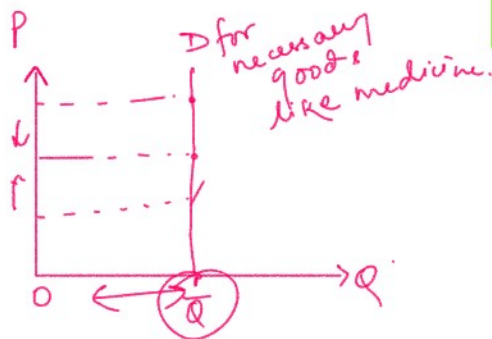
Violation to law of demand:

⊗ Giffen Goods: there is a +ve relation between price charged & quantity demanded.

(non-luxury) (bread, rice, wheat)  
 $P \uparrow \rightarrow Q \uparrow$   
 +ve



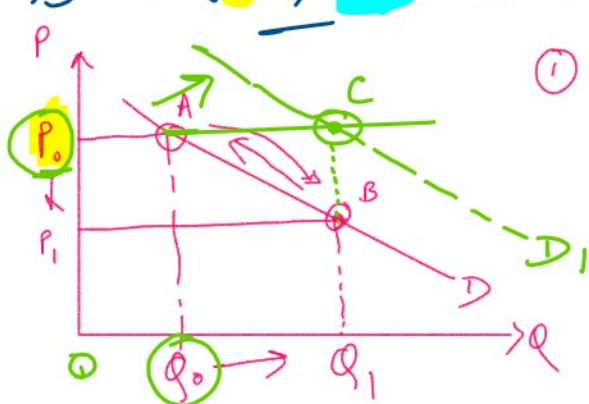
⊗ Necessary Goods:  
 $\overline{Q}$



Shift and no shift in demand.

$$Q_D = f(P, M, T, P^S, P^C, S, \dots)$$

⊗  $P_0$   
 $M_0 \rightarrow 100$   
 $M_1 \rightarrow 200$

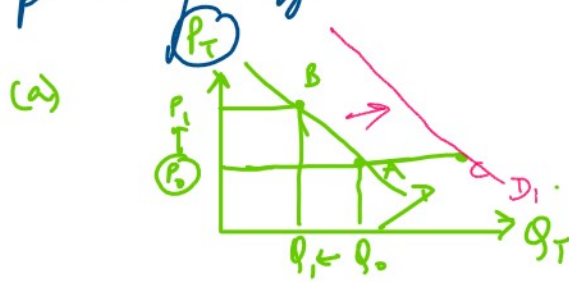


⊗ when only the price of the commodity changes (No shift in demand curve)  
 (Movement along the same curve from pt A to pt B)  
 (↑ or ↓ in Quant demanded)

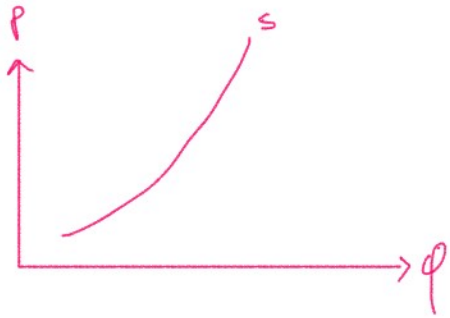
Ex: Suppose there are two goods tea and coffee. What will happen to the demand curve for tea, if tea increases. (No shift)

What will happen to the demand curve when price of tea increases (no shift)

- ✓ a) when price of tea increases (no shift)
- ✓ b) when price of coffee increases (demand for tea will increase and demand curve will shift right)



Law of Supply: All factors remaining constant, quantity supplied by a supplier increases with ↑ in price charged.

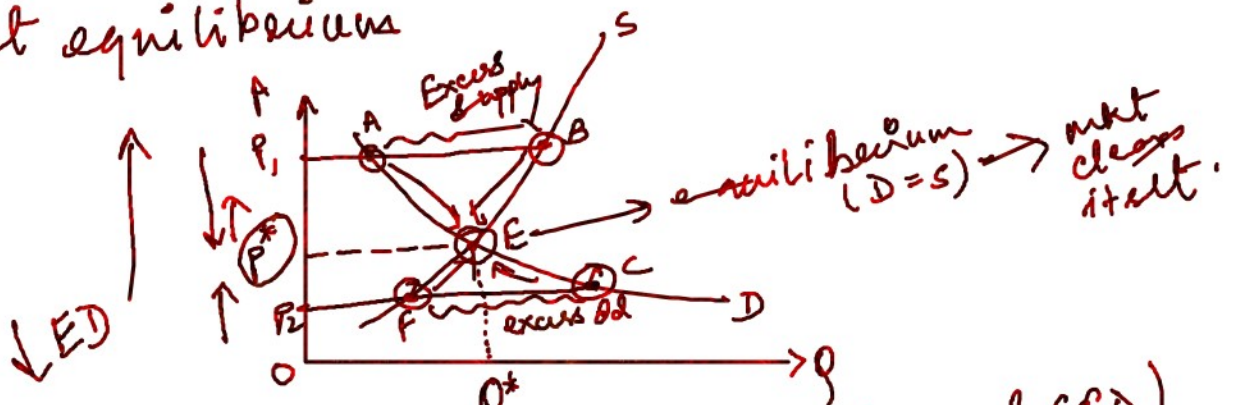


i.e. there is a +ve relation between price charged & quantity supplied.

Factors affecting quantity supplied

- 1- Price of commodity changed
2. Price of inputs or factors of production
3. Climatic change
4. Technological advancement

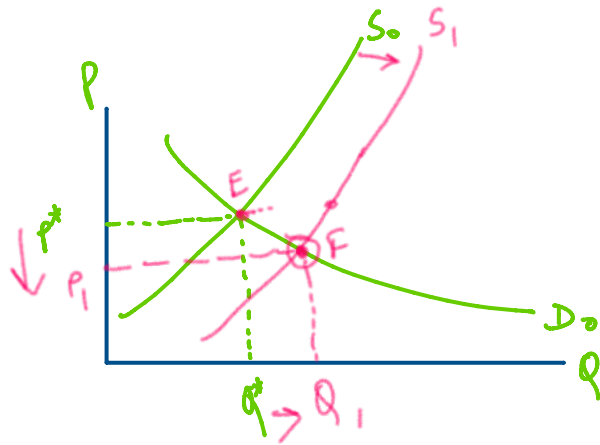
Market equilibrium



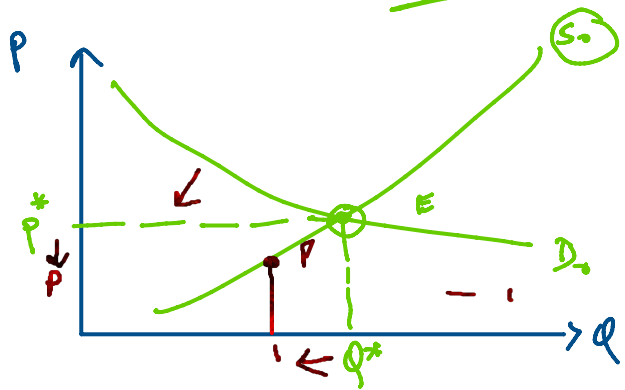
... increase in price, Excess demand (ED)

~~MP~~ ~~TABLE~~ | if  $\frac{+}{+} \rightarrow$  excess demand  $\rightarrow$

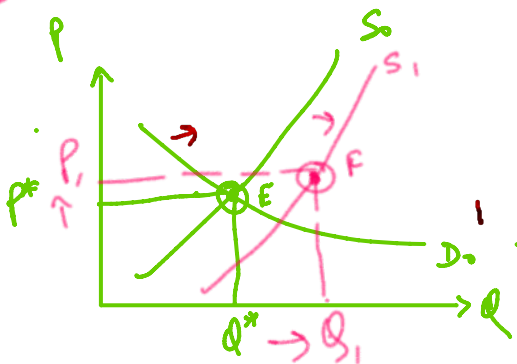
Case 1: Demand is same, supply  $\uparrow$ es. (what will happen to  $P^*$  and  $Q^*$ )



Case 2: Supply remains const, demand decreases.



Case 3



$D \uparrow$   
 $S \uparrow$