

Demand and Supply

Demand → wish, want, need

✓ Ability to pay (income)

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in economic fulfillment of their wishes.

✓ 2. Willingness to pay (Price)

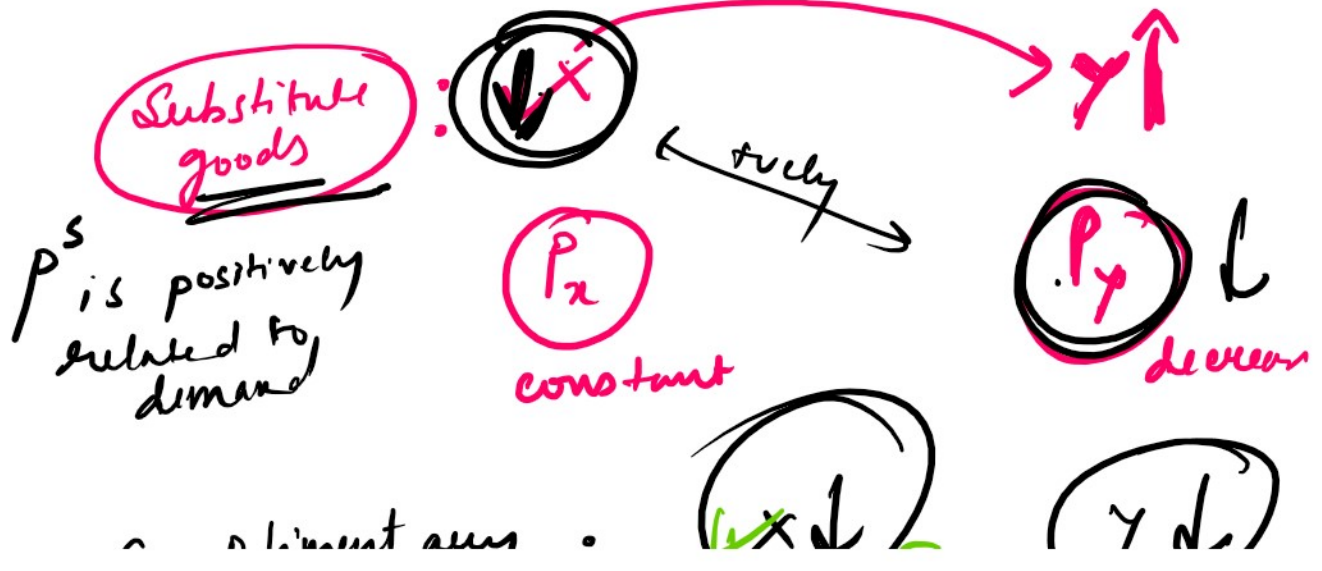
(fulfilling any wish or desire with purchasing power is DEMAND.)



Factors affecting Demand / Determinants of Demand:

- ✓ 1. Price of commodity (P)
2. Income of consumer (M)
3. Taste and Preference (T)
- ✓ 4. Price of related goods

1. Substitute Goods (related goods)
2. Complimentary Goods (related goods)



Complement any goods : $(x \downarrow)$ $(y \downarrow)$
 P^c is negatively related to demand
 const (P_x) $(P_y) \uparrow$

- 5. [Expectation Regarding future Price]
- 6. Demonstration Effect
- 7. Seasonality

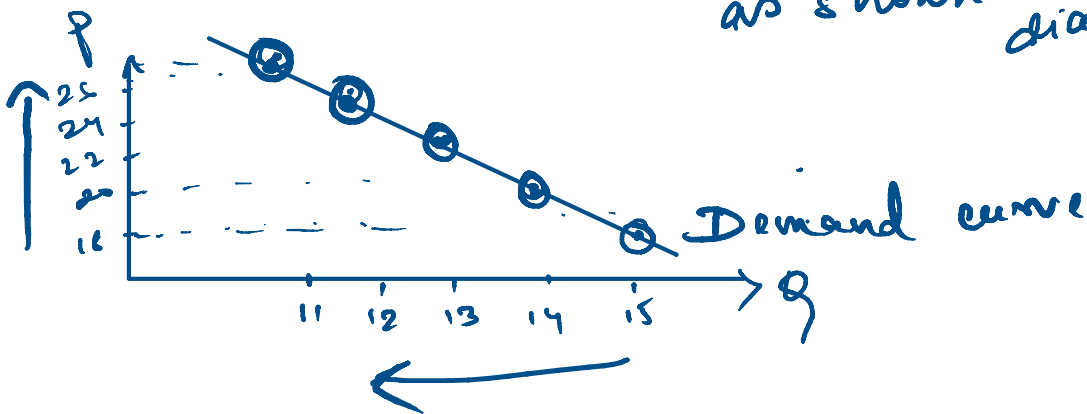
Demand Schedule (individual)

Tabular representation of different quantities of commodity demanded at different prices of commodity.

Quantity demanded by individual (in kg)	Price of the commodity
15 ✓	18 ✓
14 ✓	20 ✓
13 ✓	22
12 ✓	24
11 ✓	26

Demand curve: It is the graphical representation

Demand curve: It is the graphical representation of the relationship between the quantity demanded of a commodity and its price.
 Demand curve is downward sloping as shown in the diagram.



≠ Market demand (Schedule) and Market demand curve

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tabular representation

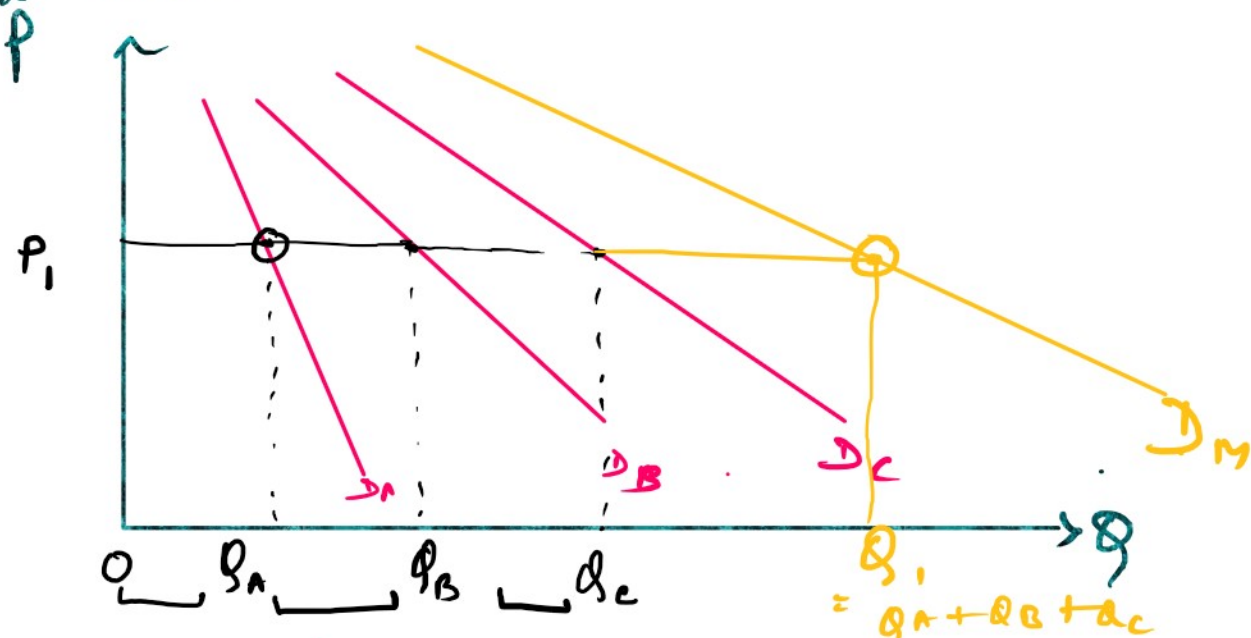
Let us assume there are only three consumers A B C
Market Demand Schedule

Price (P)	Quantity of X			Market demand
	A	B	C	
10	6	10	17	33
20	5	7	12	24
30	4	6	10	20
40	3	4	8	15
50	2	2	3	7
60	1	0	2	3

horizontal demand

What is Market demand curve?

The market demand curve is the horizontal summation of the individual demand curves.



* What is Law of Demand:

$$Q_x^d = f(P_x^d, M, P^s, P^c, T, S, E, D)$$

Constants

Inverse relation

All factors of demand remaining constant, if the price of the commodity increases, then the quantity demanded for that commodity decreases.

the quantity demanded will decrease and vice-versa.

This inverse relation between price of a commodity and quantity demanded is known as the 2nd Law of Demand.

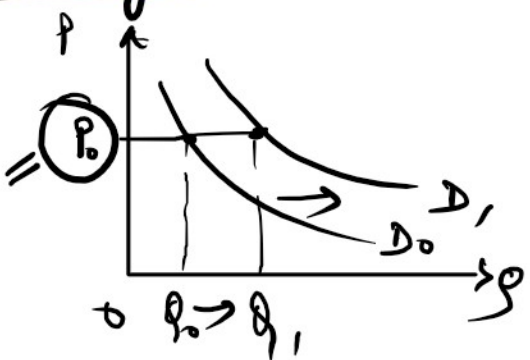
(Important)

Difference between change in Demand (Shift in demand) and change in Quantity demanded.

(movement along same demand curve)

(Price) \rightarrow No shift

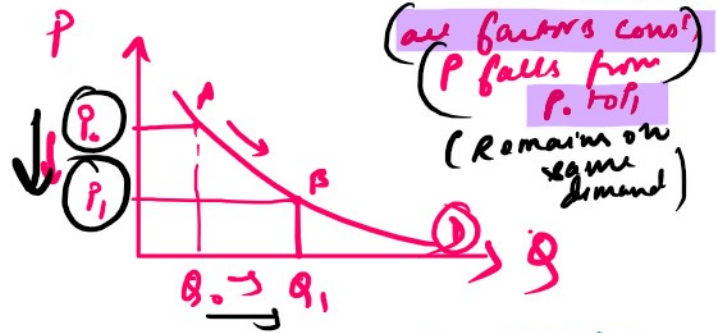
Change in Demand



1. Demand refers to quantities of a commodity demanded at various prices of commodity.

Demand changes when there is a change in any of the

Change in Quantity Demanded



1. Quantity demanded refers to amount of good demanded at a given price. Quantity demanded changes when price changes.

2. This results in movement

Demand changes when there is a change in any of the factors affecting demand other than the price of commodity.

1. change in demand leads to shift in demand.
2. when (1) income changes
(2) Price of related goods change
(3) Taste & Preference.
4. It is called increase or decrease in demand
5. increase in demand (right shift)
& decrease in demand (left shift)

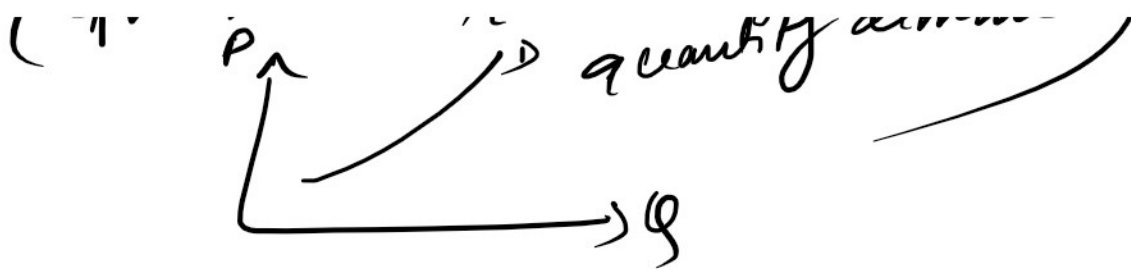
2. This results in movement along the same curve (No shift in demand curve as shown in diagram)

3. Only price change. other factors const.
4. expansion or contraction of quantity demand.
5. expansion \rightarrow movement ^{downward} along same demand curve
6. contraction \rightarrow movement ^{upward} along same demand curve.

Exception to (Law of Demand)
(Violation of law of demand)

(1) Giffen Effect

(+ve relation between price and quantity demand)
 $P \uparrow \rightarrow$



② Conspicuous Consumption

(purchasing expensive goods to show off)

the relation b/w P and Q

③ Bandwagon Effect : consumer's decision to purchase is influenced by the class to which he belongs.

④ Veblen Effect: price reflects quality.