

Demand and Supply.

Type of goods => ① Normal Goods.

+ve relation between income and demand.

ie, $M \uparrow \Rightarrow Q \uparrow$

② Inferior Goods.

-ve relation between income and demand

$M \uparrow \Rightarrow Q \downarrow$

③

④

substitutes goods / complementary goods.

Related good

Law of Demand:

demand function:

$$Q_d = f(P, M, P^c, P^s, T, W)$$

factors affecting the demand curve.

Law of Demand:

All other factors of demand remaining const, when price of a commodity (P) increases, quantity demanded will decrease.

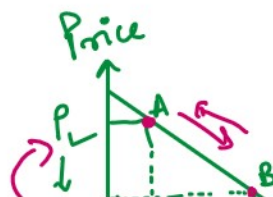
inverse relation between price of commodity & quantity demanded.

(P)

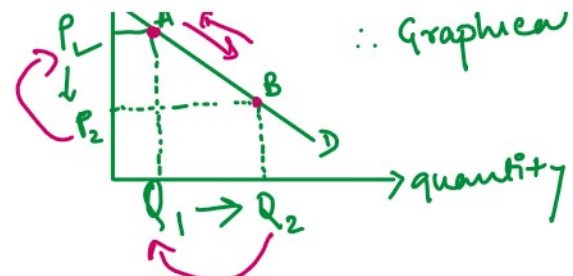
(Q)

∴ Graphical representation of demand & price will be downward.

M, P^c, P^s, T, W



$Q \Rightarrow P$ M, P, P, I
 change \Rightarrow No shift in demand.



\therefore Graphical \Rightarrow demand & price yield downward sloping demand curve.

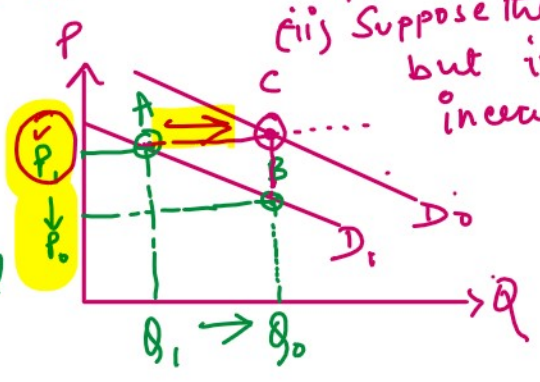
$Q \Rightarrow P$ M, P, I, I
 also const. change \Rightarrow shift in demand curve

(Movement along the same curve)
 (No shift in demand curve).

- (i) \uparrow use in demand \Rightarrow demand curve will shift to right.
- (ii) \downarrow use in demand \Rightarrow " " to left.

Example: Suppose price of a commodity decreases from P_1 to P_0 when other factor all const. what will happen to demand curve?

\checkmark No shift.
 \checkmark Movement along the same curve.
 \checkmark Increase in Quantity demanded

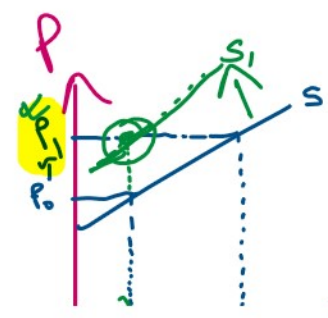


(ii) Suppose the price is at P_1 but income of consumer increases. then what will happen to demand curve.

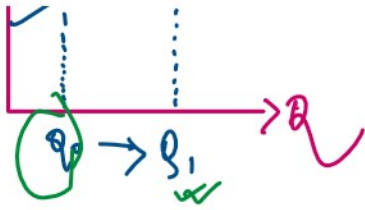
$Q_s = f(P, P_i, A, \dots)$

ex: price of petrol rises: supply will shift left.

Law of Supply: All factors remaining constant, if price \uparrow then quantity supply will also \uparrow and vice-versa.



\therefore there is a +ve & direct relationship between P and Q .
 \therefore Supply curve is upward



∴ Supply curve is upward sloping.

③ **Market Equilibrium** ⇒ point where the market clears
 i.e. $D = S$
 i.e. No excess demand or No excess supply

Stability
 (restoring equil or convergence)

Condition for stability.
 ⇒ with ↑ in price, excess demand will fall.

