

INDIVIDUAL AND MARKET DEMAND

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INDIVIDUAL DEMAND

- Demand for a good or service by an individual or household is individual demand

| Price | QD Consumer A |
|-------|---------------|
| 2 | 40 |
| 4 | 30 |
| 6 | 24 |
| 8 | 18 |
| 10 | 14 |
| 12 | 10 |
| 14 | 8 |

MARKET DEMAND

- The market demand for a given commodity is the horizontal summation of the demands of the individual consumers
- The quantity demanded in the market at each price is the sum of the individual demands of all consumers at that price
- Example- Demand of four consumers at various prices of a certain commodity and the total market demand

MARKET DEMAND

| Price | QD by A | QD by B | QD by C | QD by D | Total Demand |
|-------|---------|---------|---------|---------|--------------|
| 2 | 40 | 4 | 45 | 18 | 107 |
| 4 | 30 | 2 | 35 | 16 | 83 |
| 6 | 24 | 5 | 30 | 13 | 72 |
| 8 | 18 | 7 | 20 | 12 | 57 |
| 10 | 14 | 10 | 15 | 11 | 50 |
| 12 | 10 | 7 | 13 | 8 | 38 |
| 14 | 8 | 5 | 10 | 6 | 29 |
| 16 | 6 | 3 | 8 | 4 | 21 |
| 18 | 4 | 2 | 0 | 0 | 6 |
| 20 | 3 | 0 | 0 | 0 | 3 |

MARKET DEMAND

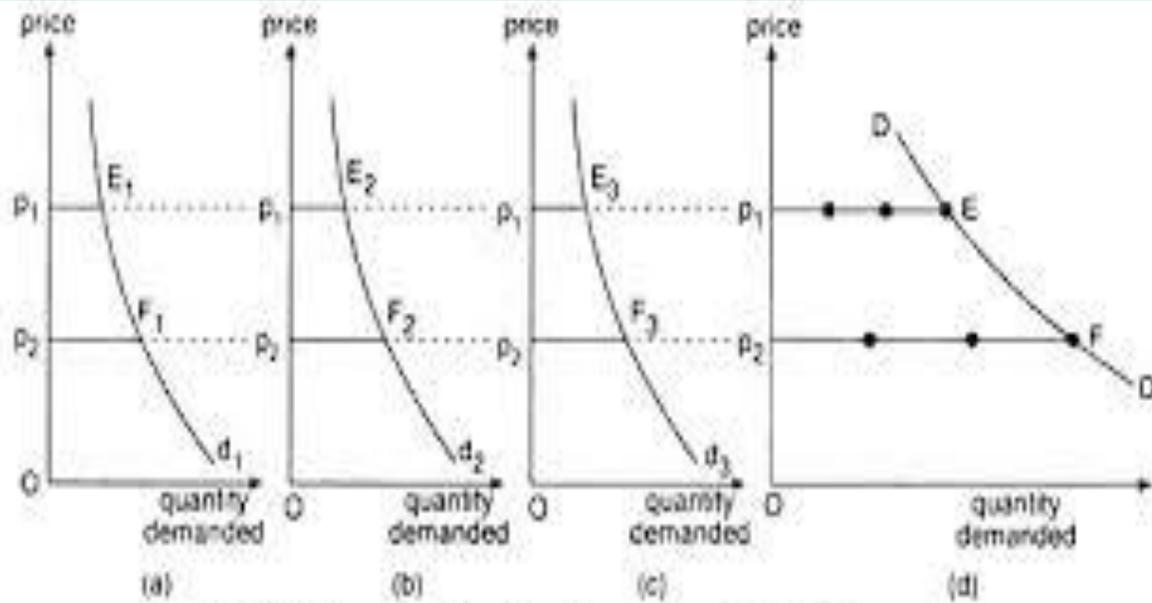
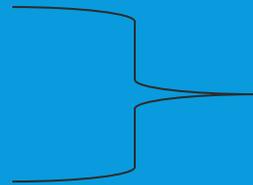


Fig. 1.4 Derivation of market demand curve from individual demand curves

DETERMINANTS OF DEMAND

- Demand is a multivariate function

- Price of the commodity
- Prices of other commodities
- Consumer's income
- Tastes



Shift factors

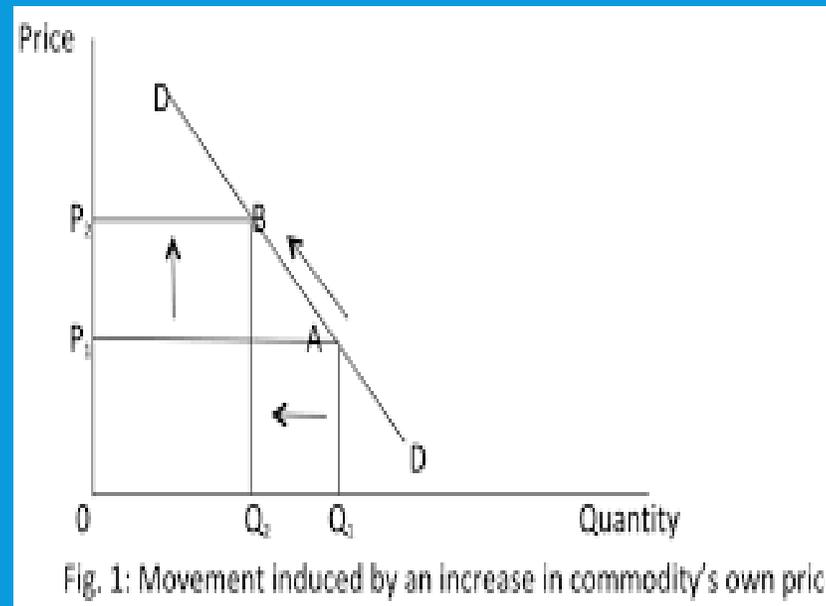
- Apart from these, some other factors

- Distribution of income
- Total population and its composition
- Wealth
- Credit availability
- Stocks and habits

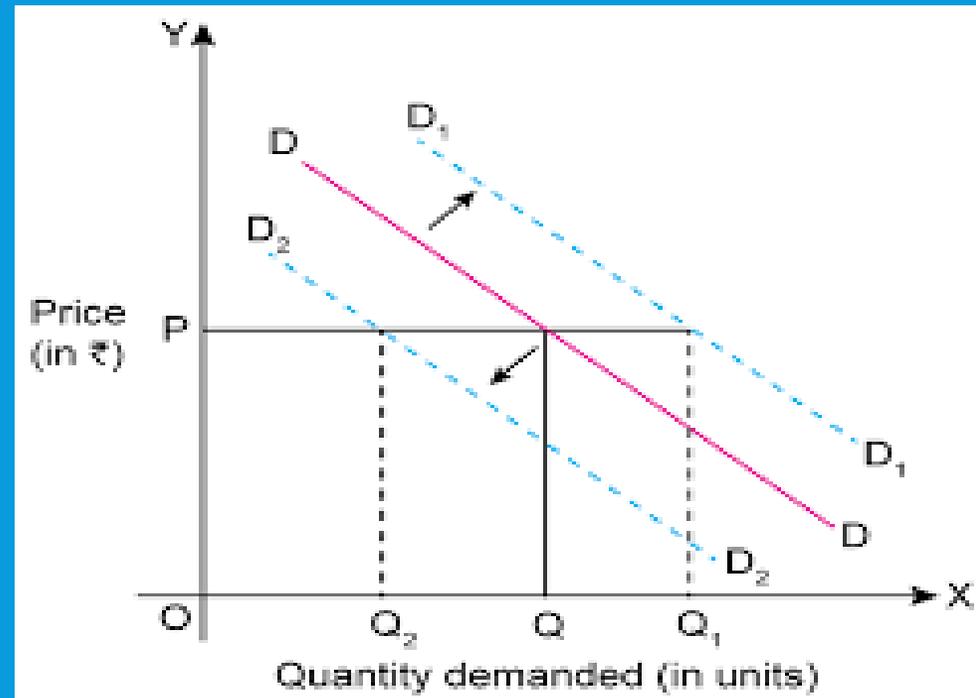
CHANGE IN QUANTITY DEMAND AND CHANGE IN DEMAND

- Change in quantity demand refers to a movement along the same demand curve
- Movement along the demand curve as the price of X changes
- Change in demand means the entire demand curve shifts either left or right

CHANGE IN QUANTITY DEMAND



CHANGE IN DEMAND



NET AND GROSS DEMAND

- The consumer starts off with an endowment of the two goods denoted by $\omega_1 \omega_2$
- $\omega_1 \omega_2$ is how much of the two goods the consumer has before he enters the market
- Suppose the farmer goes to the market with ω_1 units of carrots and ω_2 units of potatoes
- The farmer inspects the prices available at the market and decides how much he wants to buy and sell of the two goods

NET AND GROSS DEMAND

- The gross demand for a good is the amount of the good that the consumer actually ends up consuming
- How much of each of the good he or she takes home from the market
- The net demand for a good is the difference between what the consumer ends up with (the gross demand) and the initial endowment of goods
- The net demand is simply the amount that is bought or sold of the good

NET AND GROSS DEMAND

- If (x_1, x_2) will be the gross demands, then $(x_1 - \omega_1, x_2 - \omega_2)$ are the net demands
- Gross demands are typically positive numbers, the net demands may be positive or negative
- If the net demand for good 1 is negative, it means that the consumer wants to consume less of good 1 than she has
- The consumer wants to supply good 1 to the market
- A negative net demand is simply an amount supplied