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# Demand

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# Demand

An insistent and peremptory request, made as of right.

Demand normally means the desire or willingness for a good.

But in economics simple desire or willingness for a good alone may not represent demand, apart from the consumer should able to buy the good.



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# Definition

**“propensity of the consumer to buy different quantities of a particular good at different unit prices”**

-Bowden



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# Individual demand

Individual demand for a good refers to the quantities of that good a person is willing and able to buy at given prices over a period of time.

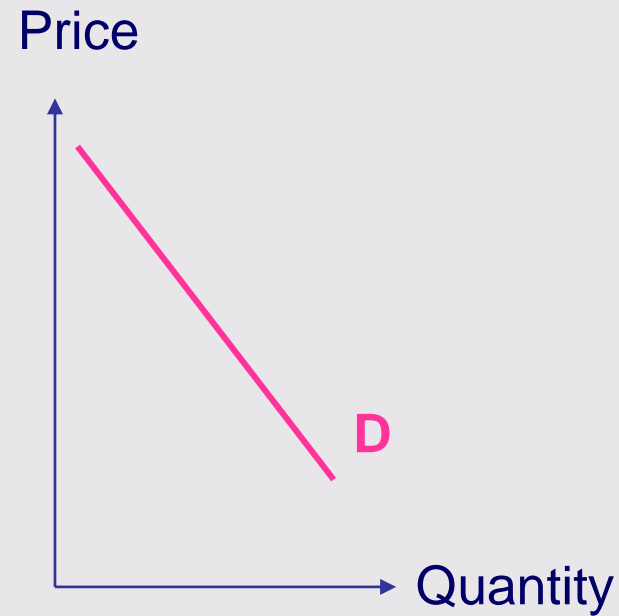
Price of the commodity decreases quantity demand will increase.



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# Individual demand

Price / unit	$Q_d$
20	.25
16	.50
12	.75
8	1.00
4	1.24





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# Market demand

Sum of the demand of all consumers in a market for a given commodity at a specific period of time.



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## Market demand

Price / unit (Rs.)	Quantity demanded by			Market quantity demanded by (A + B + C)
	A	B	C	
20	.25	.5	0	<b>.75</b>
16	.50	1.	0	<b>1.50</b>
12	.75	1.5	0	<b>2.25</b>
8	1.00	2.0	1	<b>4.00</b>
4	1.25	2.5	2	<b>5.75</b>
2	1.50	3.0	3	<b>7.50</b>



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# Autonomous and Derived demand

## Autonomous demand:

Whose demand is not linked with the demand of other good are supposed to have autonomous demand- (consumer goods) {own make}

## Derived goods:

The demand for certain goods is related with the demand for other goods which is called as Derived goods

ex: fertilizers and pesticides linked with agriculture, milk with tea etc.. (which are required to produce other goods)





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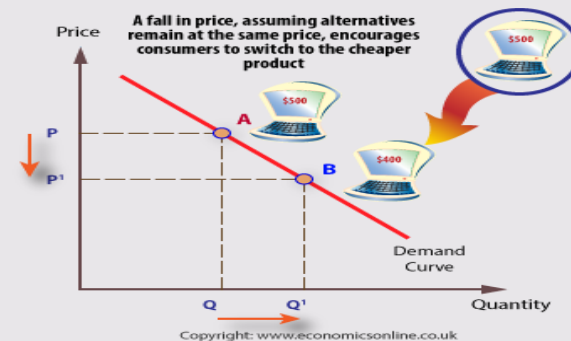
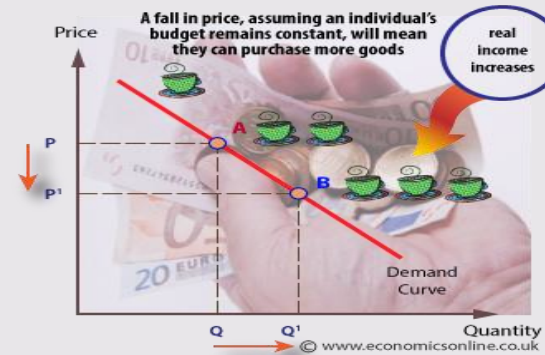
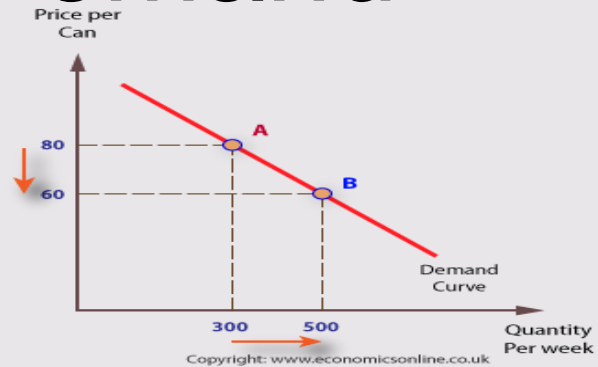
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# Kinds of Demand

**Price demand:** prices in a given market at a given point of time

**Income demand:** at different levels of income

**Cross demand:** not due to changes in the price of the commodity under consideration, but due to changes in the price of related commodities.





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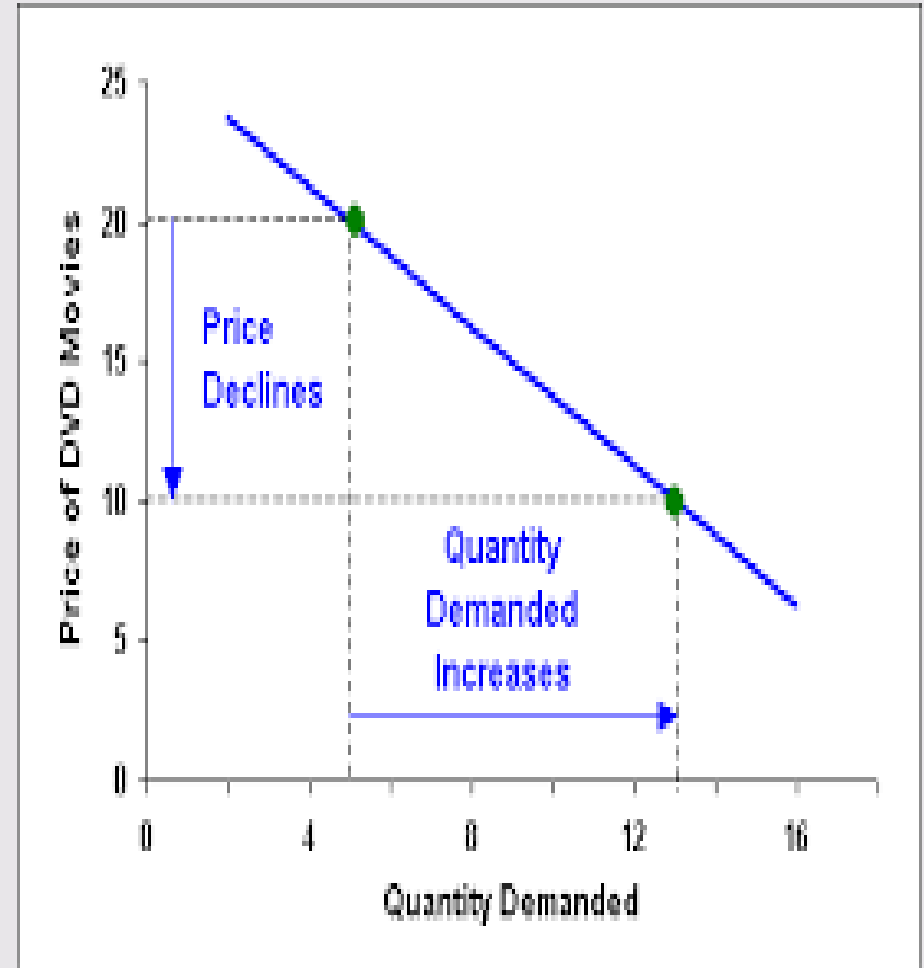
# Law of Demand

In general, that means less is bought at higher prices, and more is purchased at lower prices

there is an inverse relationship between the **price** of a product and the **quantity** demanded.

If Quantity increases then price down

If Price increases then quantity down





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# Demand Curve

A graph showing how the demand for a commodity or service varies with changes in its price.





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# Utility Theory

**Utility:**

utility is the satisfaction, a person gains from the Good/ Service.

**Marginal:**

The term *marginal* refers to a small change

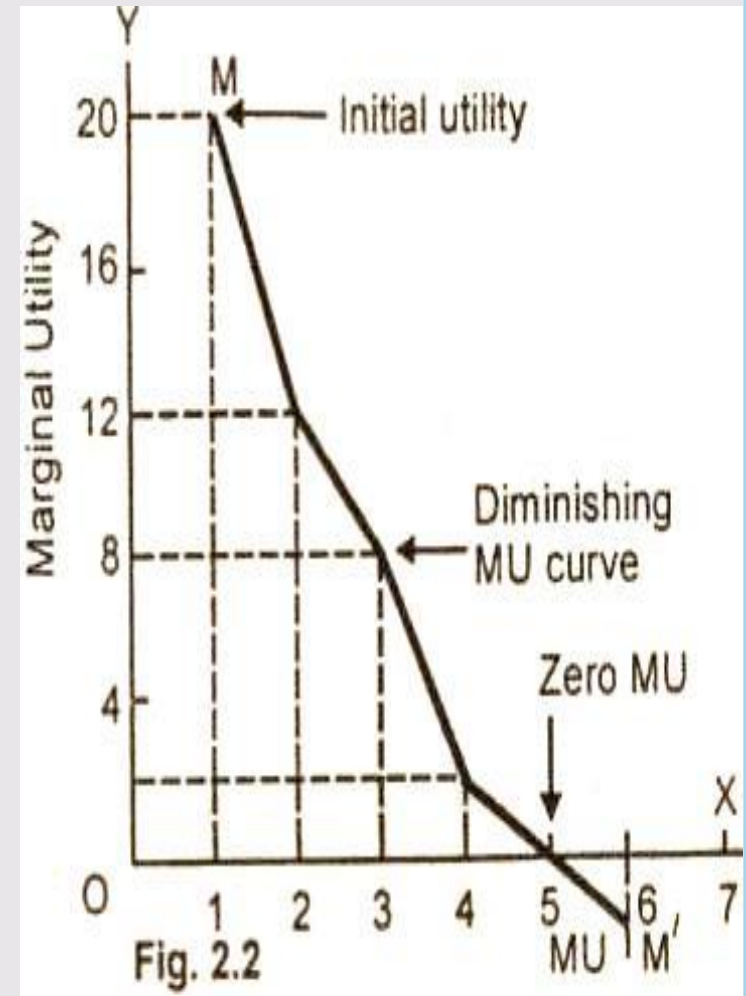


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# Law of Diminishing marginal Utility

The **law of diminishing marginal utility** is a **law** of economics stating that as a person increases consumption of a product while keeping consumption of other products constant, there is a decline in the **marginal utility** that person derives from consuming each additional unit of that product.





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# Law of Diminishing marginal Utility

“More a commodity that an individual possesses, the less is the utility that is derived from it.”

More and more we have a thing, the less and less we want it. Ex: Ice cream

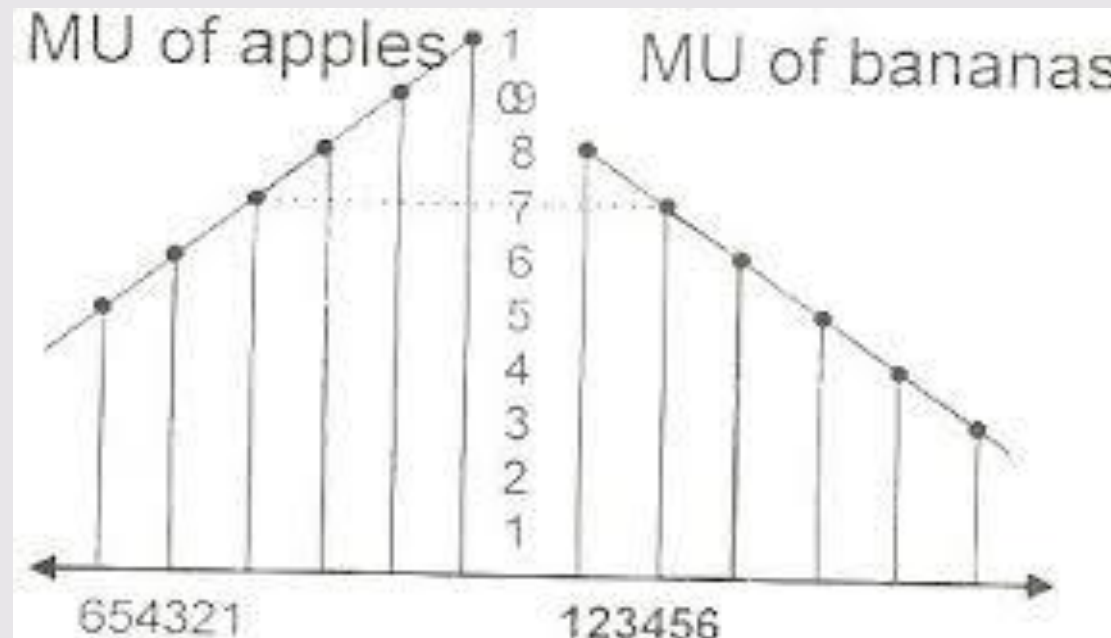


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# Equi-Marginal Utility

The **law of Equi-marginal utility** states that the consumer will distribute his money income between the goods in such a way that the **utility** derived from the last rupee spend on each good is equal. In other words, consumer is in equilibrium position when **marginal utility** of money expenditure on each goods is the same.





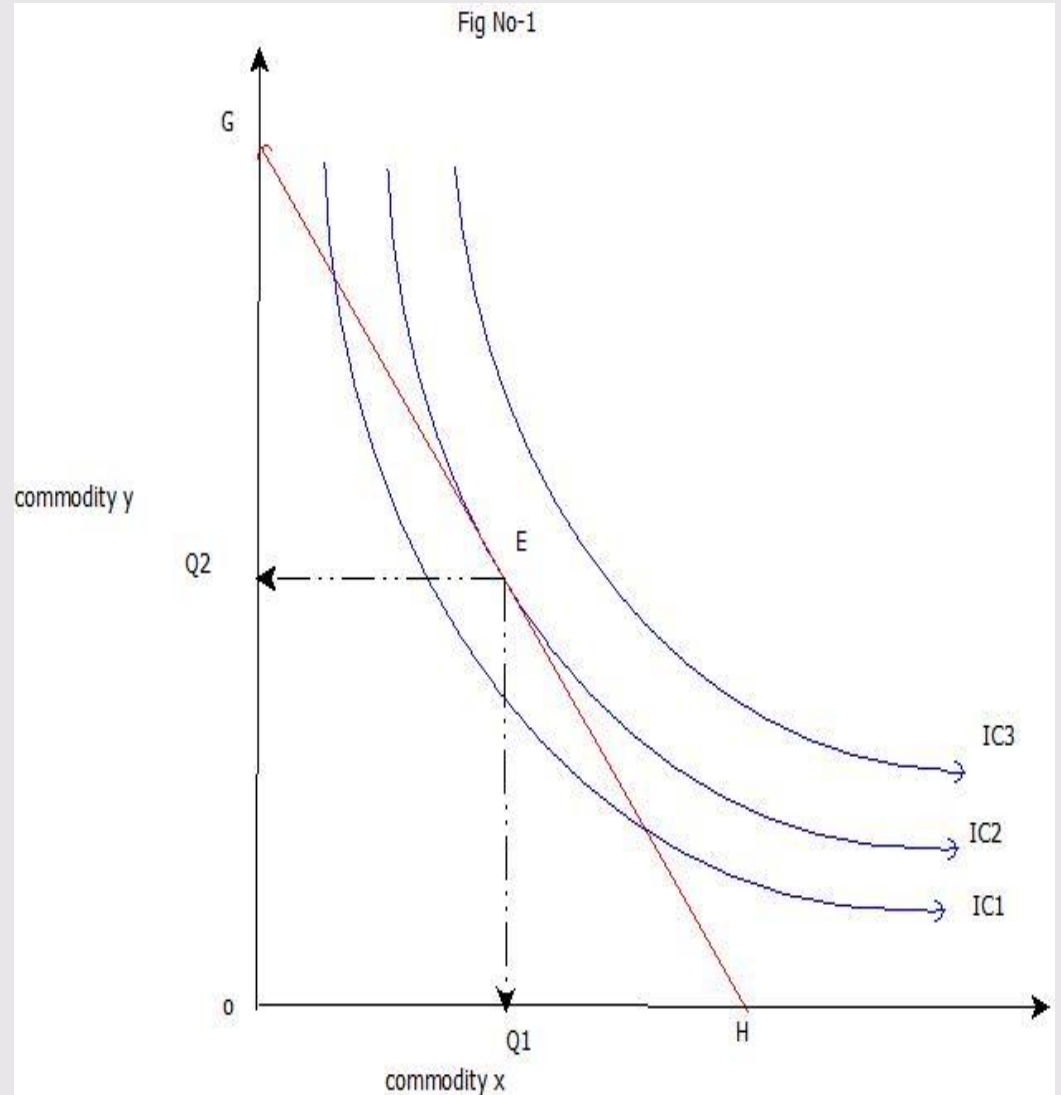
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# Consumers Equilibrium

The state of balance achieved by an end user of products that refers to the amount of goods and services they can purchase given their present level of income and the current level of prices.

**Consumer equilibrium** allows a consumer to obtain the most satisfaction possible from their income.







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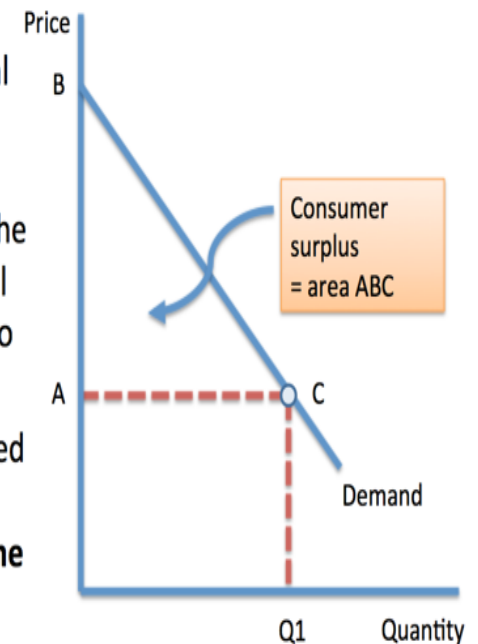
# Consumer Surplus

**Consumer surplus** is defined as the difference between the total amount that **consumers** are willing and able to pay for a good or service (indicated by the demand curve) and the total amount that they actually do pay (i.e. the market price).

## What is Consumer Surplus?

Consumer surplus is a measure of the economic welfare that people gain from purchasing and then consuming goods and services

- **Consumer surplus** is the difference between the total amount that consumers are willing and able to pay for a good or service (shown by the demand curve) and the total amount that they actually do pay (i.e. the market price).
- Consumer surplus is indicated by the area **under the demand curve and above the market price**.





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**THANK YOU**