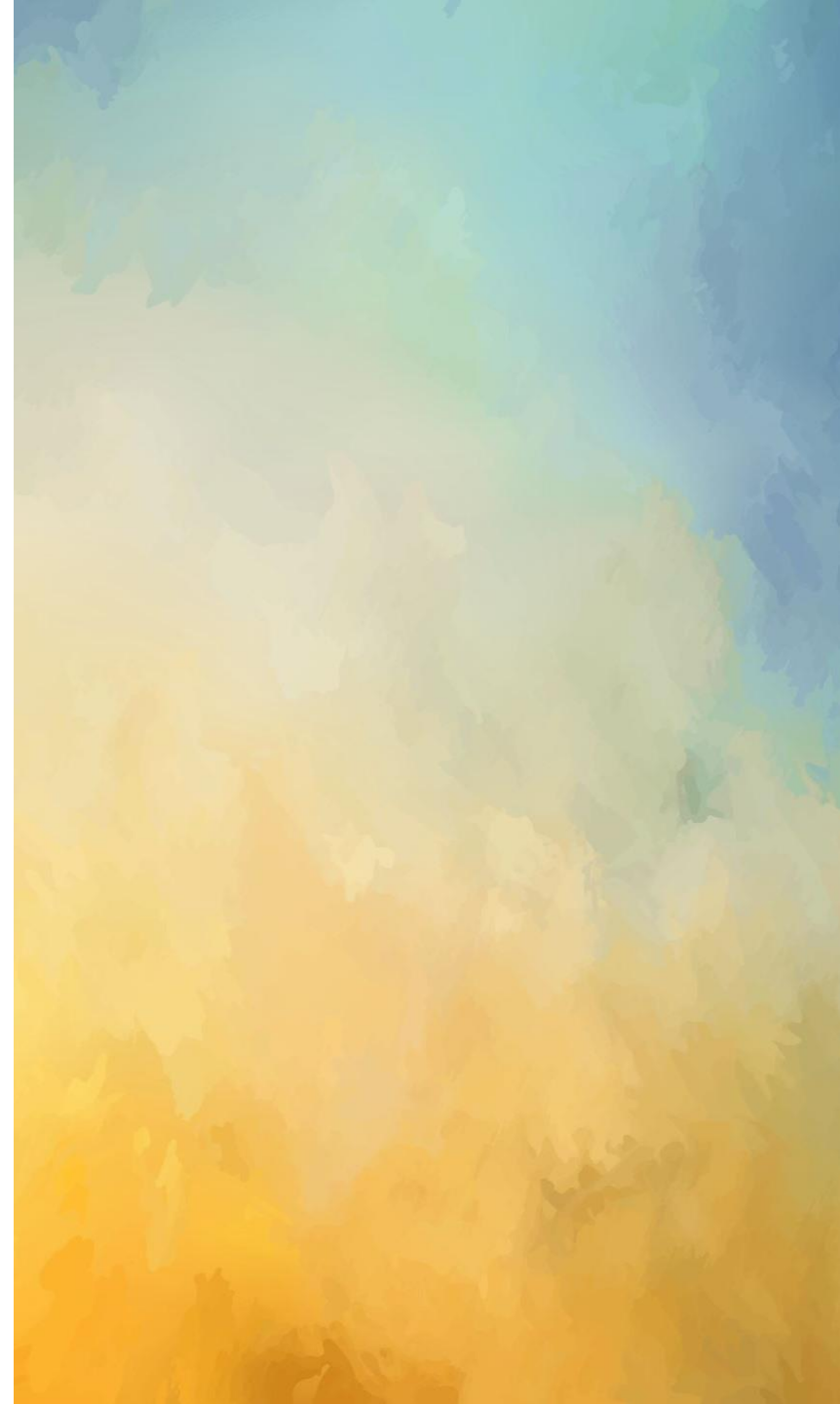


# DEMAND

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# WHAT IS DEMAND?

- Desire for a commodity
- Ability to purchase
- Willingness to spend money

# DEMAND FUNCTION

- Demand is a function of price, income, price of related goods and tastes and is expressed as
  - $D = f(P, Y, P_r, T)$
- When income, prices of related goods and tastes are given, the demand function is
  - $D = f(P)$

# TYPES OF DEMAND

- Price Demand
- Income Demand
- Cross Demand

# PRICE DEMAND

- Various quantities of a commodity or a service that a consumer would purchase at a given time in a market at a hypothetical price
- Assumption is income, his tastes and prices of related goods remain constant

# INCOME DEMAND

- Various quantities of goods and services which would be purchased by the consumers at various levels of income
- Assumption is prices of the commodity, prices of inter related goods, tastes and desires of the consumer do not change

# CROSS DEMAND

- Various quantities of a good and services that will be purchased by the consumer with reference to change in price of related good
- These goods are either substitutes or complementary goods

# LAW OF DEMAND

- The relationships between the quantity demand and its price
- Other thing remaining constant, if the price of the commodity falls, the quantity demand of the commodity increases and vice-versa
- the law is based on the inverse price-demand relationship



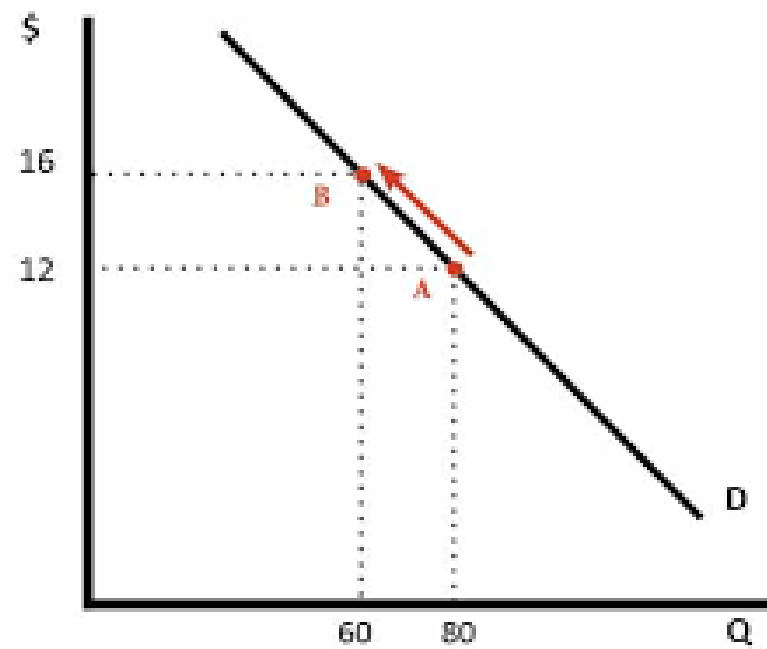
# ASSUMPTIONS

- No change in the tastes and preferences of the consumer
- Income of the consumer remains constant
- No change in prices of related goods
- Should not be any change in the quality of the product

# DEMAND SCHEDULE

Price	Quantity Demand
10	10
8	15
5	25
4	30
2	38

# DEMAND CURVE



# WHY DEMAND CURVE SLOPES DOWNWARD?

- Law of Diminishing Marginal Utility
- Price Effect
- Income Effect
- Substitution Effect

# EXCEPTION TO THE LAW OF DEMAND

- War
- Depression
- Giffen Paradox
- Demonstration Effect
- Speculation