

# INDIVIDUAL AND MARKET DEMAND

Dr Bibhunandini Das

# 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

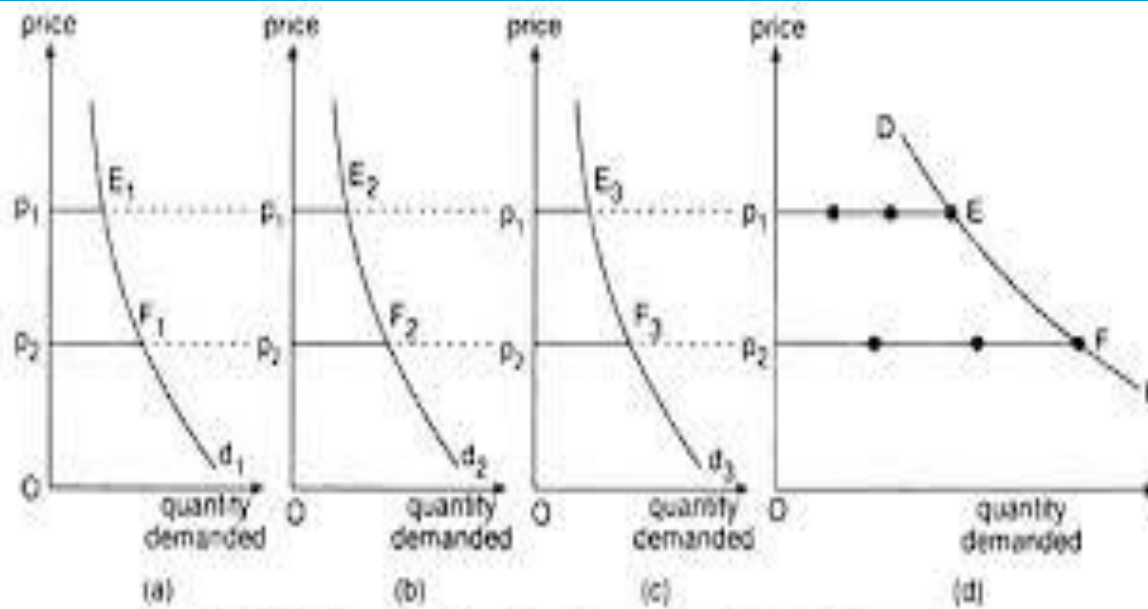
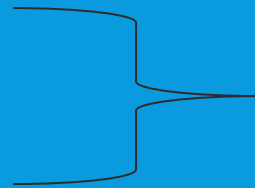


Fig. 1.4 Derivation of market demand curve from individual demand curves

# DETERMINANTS OF DEMAND

- Demand is a multivariate function

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



Shift factors

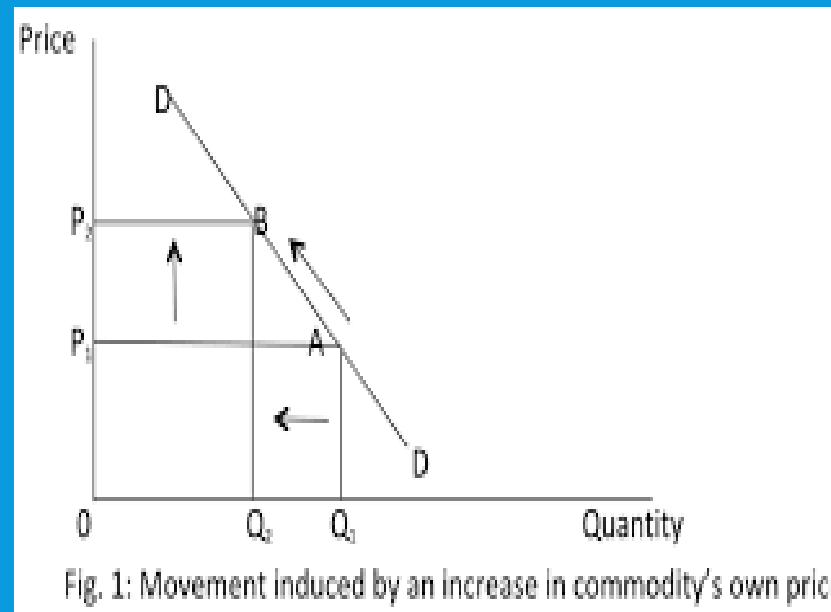
- Apart from these, some other factors

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

# CHANGE IN QUANTITY DEMAND AND CHANGE IN DEMAND

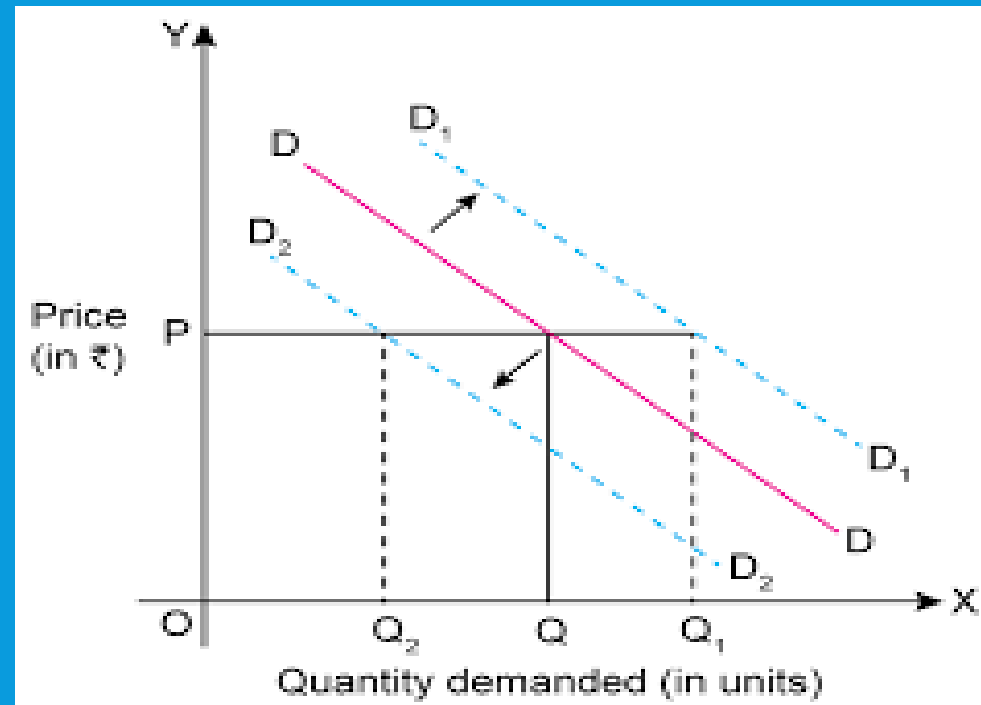
- Change in quantity demand refers to a movement along the same demand curve
- Movement along the demand curve as the price of X changes
- Change in demand means the entire demand curve shifts either left or right

# 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  $\omega_1$  units of carrots and  $\omega_2$  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