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SUBJECT- PRINCIPLES OF ECONOMICS

THE LAW OF DEMAND-I

- The Law of Demand expresses the nature of functional relationship between the price of a commodity and its quantity demanded.
- It simply states that demand varies inversely to the changes in price i.e demand for a commodity expands when price falls and contracts when price rises.
- "Law of Demand states that people will buy more at lower prices and buy less at higher prices, other things remaining the same." (Prof. Samuelson)
- It is assumed that other determinants of demand are constant and only PRICE IS THE VARIABLE AND INFLUENCING FACTOR.
- Thus, the law of demand is based on the following main assumptions:—
    1. Consumers income remain unchanged.
    2. Tastes and preferences of consumers remain unchanged.
    3. Price of substitute goods and complement goods remain unchanged.
    4. There are no expectations of future changes in the price of the commodity.
    5. There is no change in the fashion of the commodity etc.
- The law can be explained with the help of a demand schedule and a corresponding demand curve.
- Demand schedule is a table or a chart which shows the different

quantities of commodity that ONE PARTICULAR CONSUMER is willing to buy at different level of prices, during a given period of time.

Table 1: Demand Scheduled of an Individual Buyer

Price of Sugar ₹ per kg.		Quantity Demanded kgs per month
1	—	5
2	—	4
3	—	3
4	—	2
5	—	1

- Market demand schedule is a table showing different quantities of a commodity that ALL THE CONSUMERS are willing to buy at different level of prices, during a given period of time.

Table 2: Market Demand Schedule

Price of Sugar ₹ per kg.	Quantity Demanded p.m kgs		Market Demand
	Consumer A	Consumer B	A+B
1	5	6	5+6 = 11
2	4	5	4+5 = 9
3	3	4	3+4 = 7
4	2	3	2+3 = 5
5	1	2	1+2 = 3

(Assumption: There are only 2 buyers in the market)

- Both Individual & market schedules denotes an Inverse Functional relationship between price and quantity demanded. In other words, when price rises demand tends to fall and vice-versa.