

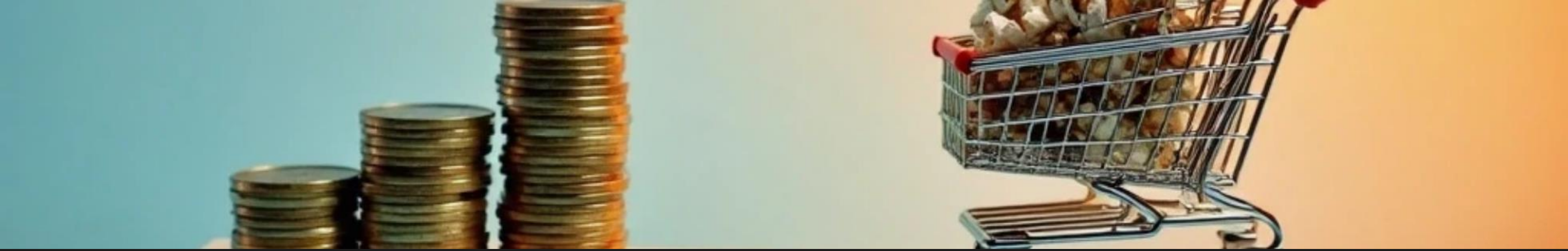
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LAW OF DEMAND

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Law of Demand

The Law of Demand posits that, assuming all other factors remain constant, a decrease in the price of a product leads to an increase in the quantity that consumers want to purchase, while an increase in price results in a decrease in demand. This vital economic doctrine highlights the fundamental inverse correlation existing between price levels and consumer demand, revealing that as prices drop, consumers feel incentivized to buy greater quantities of the product, thus driving overall market dynamics.

Definition of Demand

Demand is crucial in understanding market behavior as it reflects consumers' willingness and ability to purchase goods and services. It is influenced by various factors that can shift the demand curve, highlighting the dynamic nature of consumer preferences and economic conditions.

1

Understanding Demand

Demand refers to the quantity of a good or service that consumers are willing and able to purchase at various prices.

2

Key Factors

Factors influencing demand include consumer income, tastes and preferences, price of related goods, and expectations about future prices.

3

Demand Curve

The demand curve shows the relationship between the price of a good and the quantity demanded, typically sloping downward.

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Key Factors Influencing Demand

The Pricing Dynamics of Goods

There is a well-established direct correlation between shifts in price levels and the corresponding quantity demanded by consumers in the market.



The Influence of Consumer Income Levels

When consumer income increases, the demand for normal goods, which are products for which demand rises as income rises, typically also experiences a significant upward shift.

The Role of Substitutes and Complementary Goods

The accessibility and pricing structures of substitute goods can significantly influence consumer demand, often leading to shifts in purchasing behavior based on cost-effectiveness.

Comparing Movement and Shift in Demand

Understanding Movement Along the Demand Curve

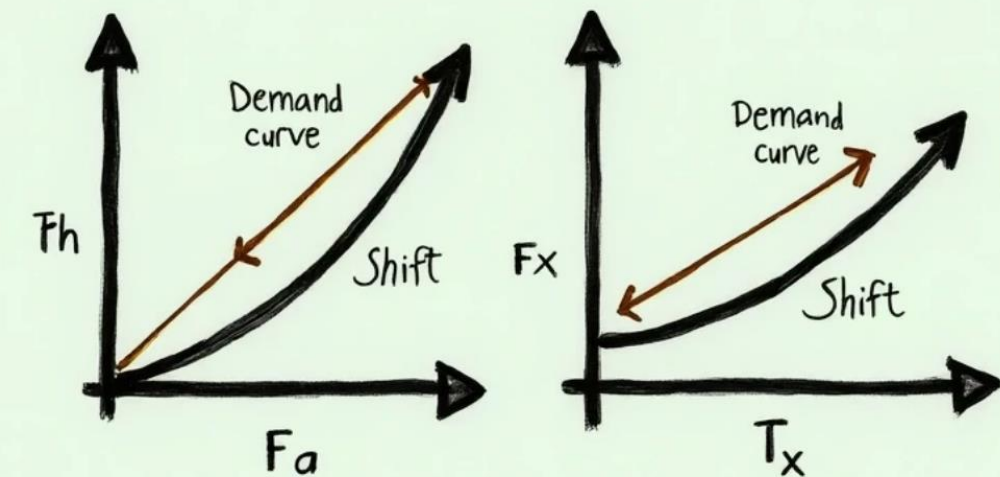
When there is a change in the price of a particular good, it leads to a corresponding movement along the demand curve, reflecting variations in quantity demanded.

The Dynamics of Demand Curve Shifts

Various external factors, such as fluctuations in consumer income levels or shifts in consumer preferences, significantly contribute to the horizontal shift of the demand curve.

How External Influences Affect Demand

Factors such as technological advancements, innovative marketing strategies, and broader socio-economic changes play a crucial role in causing shifts in the demand curve.



Law of Demand

Real-World Applications of the Law of Demand

Understanding the Law of Demand is vital for both businesses and governments in making informed decisions. It influences pricing strategies, economic policies, and can be illustrated through historical case studies of consumer behavior in response to market conditions.

Market Analysis


Businesses use the Law of Demand to set competitive prices and forecast sales.

Policy Implications

Governments analyze demand to shape economic policies, such as taxation on luxury goods.

Case Studies

Historical examples, like the impact of price changes on gasoline demand during crises.



Thank You

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