Law of Demand

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Class-B.A.Part-I(Subsi.)

Among the many causal factors affecting demand, price is the most significant and the price- quantity relationship called as the Law of Demand is stated as follows: "The greater the amount to be sold, the smaller must be the price at which it is offered in order that it may find purchasers, or in other words, the amount demanded increases with a fall in price and diminishes with a rise in price" (Alfred Marshall). In simple words other things being equal, quantity demanded will be more at a lower price than at higher price. The law assumes that income, taste, fashion, prices of related goods, etc. remain the same in a given period. The law indicates the inverse relation between the price of a commodity and its quantity demanded in the market. However, it should be remembered that the law is only an indicative and not a quantitative statement. This means that it is not necessary that such variation in demand be proportionate to the change in price.

Definitions

Some major definitions of the Law of Demand are as follows:

*"Law of Demand states that people will buy more at lower prices and buy less at higher prices, if other things remaining the same."- **Prof. Samuelson.***

*The Law of Demand states that amount demanded increases with a fall in price and diminishes when price increases." - **Prof. Marshall***

*"According to the law of demand, the quantity demanded varies inversely with price." –**Ferguson***

***Marshall:-**"The greater the amount to be sold the smaller must be the price"*

***Benham:-**"Usually a larger quantity of commodity will demanded at lower price that a higher price"*

Characteristics of law of demand

- Inverse relationship between price and demand.
- Price is independent variable

- Demand is dependent variable on price of goods.

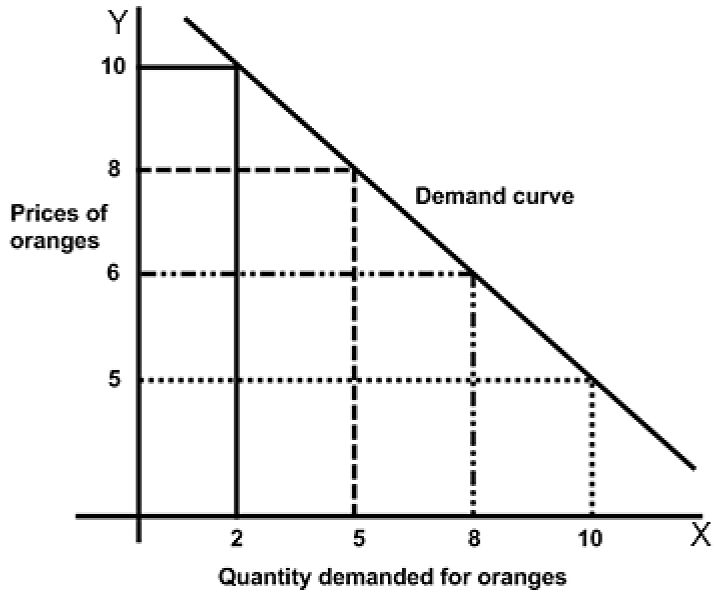
Demand Curve and Schedule

Prices of oranges	Quantity demanded for oranges
10	2
S	S
6	S
S	10

Table represents the increase in the price of the oranges lead to decrease the demand for oranges.

If the price of the orange is 5/-, people are willing to by 10 oranges. When prices are increased to 8/- where people are willing to buy only 5 oranges. This table shows that the increase in price of goods causes decreases the quantity demanded for the goods.

DEMAND CURVE (graphical presentation of law of demand)



Assumptions

Every law will have limitation or exceptions.This law operates when the commodity's price changes and all other prices and conditions do not change. The main assumptions are

- Habits, tastes and fashions remain constant
- Money, income of the consumer does not change.
- Prices of other goods remain constant
- The commodity in question has no substitute
- The commodity is a normal good and has no prestige or status value.
- People do not expect changes in the prices.