CLASS 11 ECONOMICS

Consumer's Equilibrium and Demand

Understanding how consumers make choices, what drives demand, and how satisfaction is maximized within a budget.

Meaning of Demand

Demand is the **quantity of a commodity** that a consumer is **willing and able to buy** at a given price. It is not merely a desire — it must be backed by purchasing power.

Desire

The consumer must want the commodity.

Ability to Pay

The consumer must have sufficient income to purchase it.

Willingness to Pay

The consumer must be ready to spend at the given price.

Law of Demand

The Law of Demand states that, **other factors remaining constant**, there is an inverse relationship between price and quantity demanded.

Price Rises ↑

Quantity Demanded **Falls** ↓

Consumers buy less when prices go up.

Price Falls ↓

Quantity Demanded **Rises** ↑

Consumers buy more when prices go down.

Ceteris Paribus: This law holds true only when all other factors (income, taste, prices of related goods) remain unchanged.

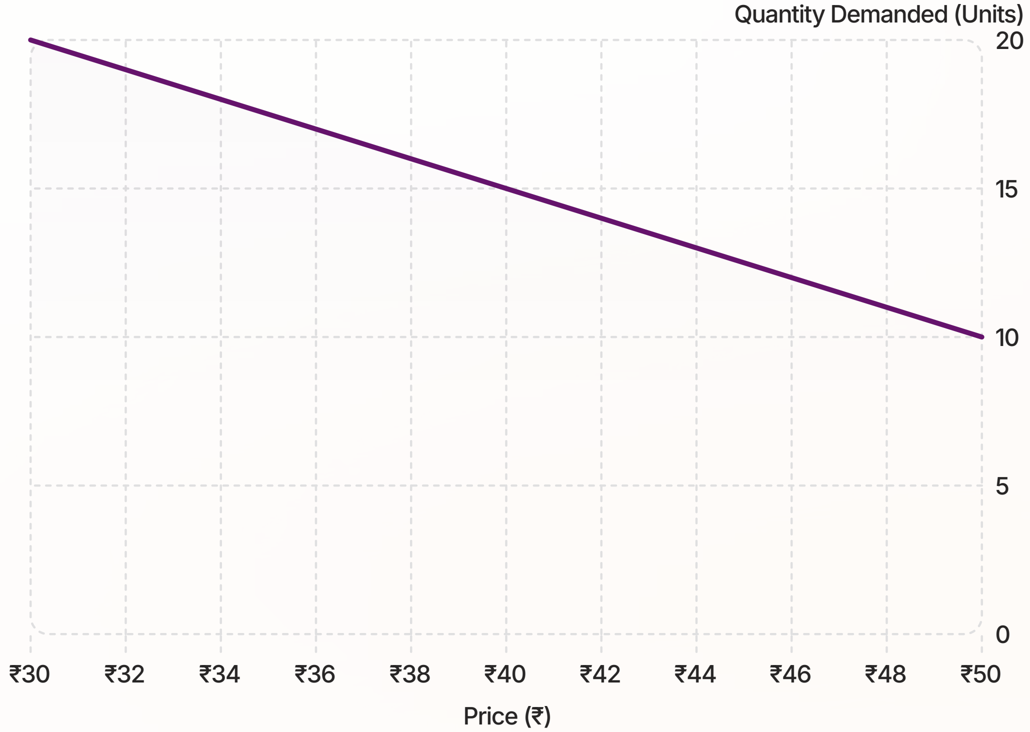
Demand Schedule

A demand schedule is a **tabular representation** showing the quantity demanded at different price levels.

Price (₹)	Quantity Demanded
₹50	10 Units
₹40	15 Units
₹30	20 Units

Conclusion: As price decreases from ₹50 to ₹30, demand increases from 10 to 20 units — confirming the Law of Demand.

Demand Curve



What is a Demand Curve?

A demand curve is a **graphical representation** of the relationship between price and quantity demanded.

- **Downward Sloping** — As price falls, quantity demanded rises
- **Left to Right** — Plotted from higher price/lower quantity to lower price/higher quantity

The downward slope visually confirms the **inverse relationship** described by the Law of Demand.

Determinants of Demand

Besides price, several other factors influence how much of a commodity consumers demand.

Price of the Commodity

The primary factor — as price changes, quantity demanded changes inversely.

Income of Consumer

Higher income generally increases demand for normal goods.

Taste & Preferences

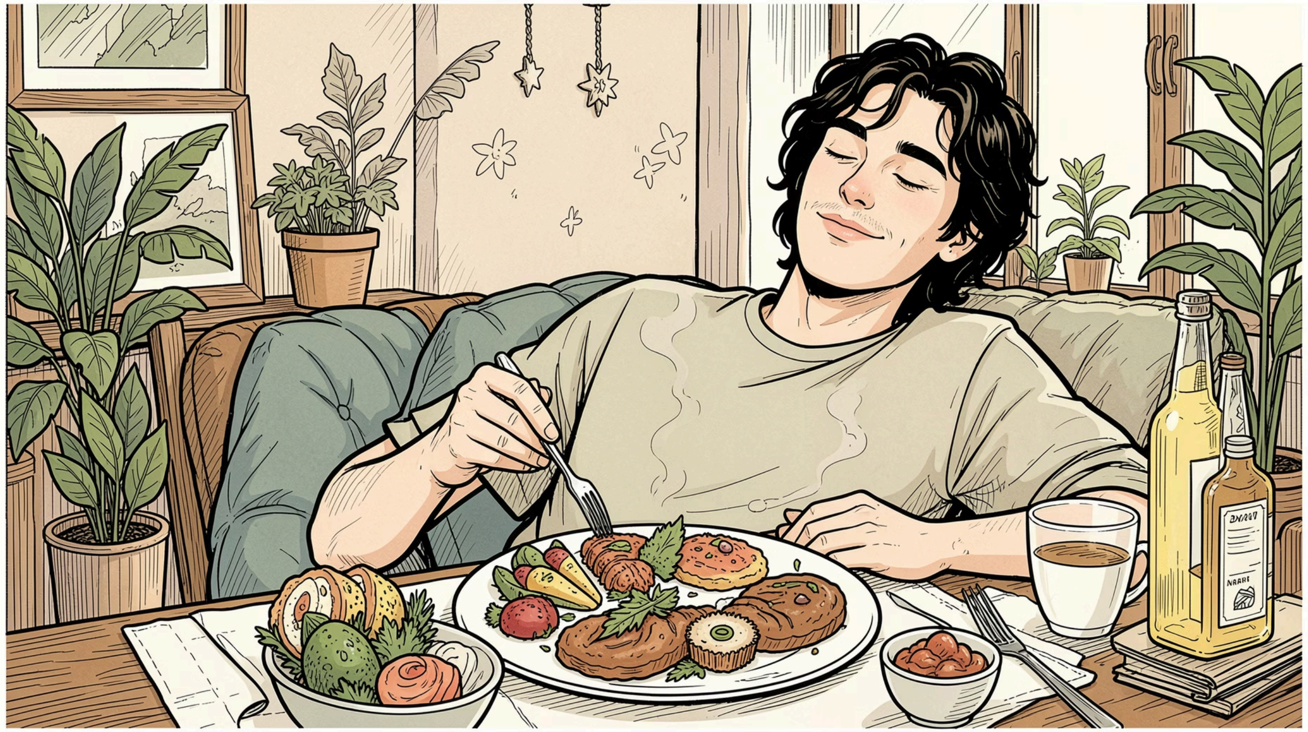
Consumer preferences, trends, and habits directly affect demand.

Population

A larger population increases overall market demand.

Future Expectations

Expected price changes in the future can shift current demand.



KEY CONCEPT

Consumer's Equilibrium

Consumer's Equilibrium is a situation where a consumer **gets maximum satisfaction** from their available income and has **no tendency to change** their consumption pattern.

Goal: Achieve the highest possible level of satisfaction given the budget constraint.

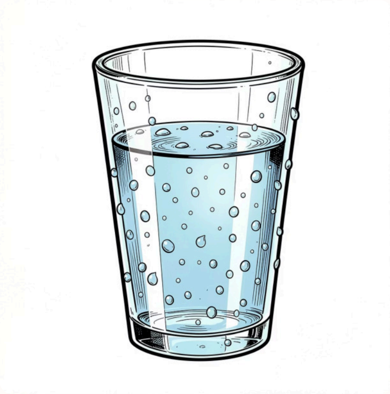
A consumer is in equilibrium when the **marginal utility per rupee spent** is equal across all goods consumed.

Utility

Utility is the ability of a commodity to satisfy human wants. It is a subjective concept — the same product may provide different utility to different people.

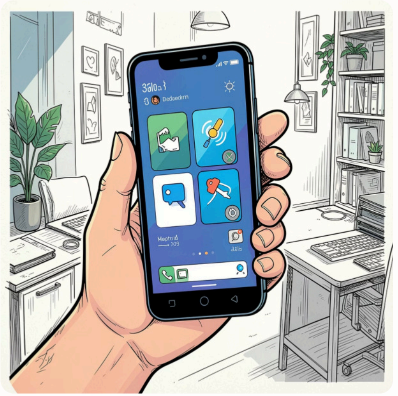
Food

Satisfies hunger and provides nutrition — a basic human need.



Water

Essential for survival — provides high utility especially when thirsty.



Mobile Phone

Provides communication, entertainment, and information utility.

Law of Diminishing Marginal Utility

As a consumer consumes **more units** of a commodity, the **marginal utility** (additional satisfaction) derived from each successive unit **decreases**.

Ice Cream Cups

1st Ice Cream

The first cup of deliciousness starts the foundation.

2nd Ice Cream

A second cup is added for extra flavor.

3rd Ice Cream

The final cup completes the ice cream stack.

Quick Revision

Let's recap the key concepts covered in this lesson.

1

Demand

Quantity a consumer is willing and able to buy at a given price.

2

Law of Demand

Price ↑ → Demand ↓ (inverse relationship, ceteris paribus).

3

Demand Curve

Downward-sloping graphical representation of price vs. quantity demanded.

4

Determinants of Demand

Price, Income, Taste, Population, and Future Expectations.

5

Consumer's Equilibrium

Maximum satisfaction from available income; no tendency to change.

6

Utility

Ability of a commodity to satisfy human wants; diminishes with consumption.