The Law of Demand — Quick Revision Notes (Microeconomics)

CBSE ✎

1 Definition

- ✓ States the inverse relationship between price of a good & its quantity demanded — other things remaining the same.
- ✓ Marshall: "Amount demanded increases with a fall in price and diminishes with a rise in price."
- ✓ Explains quantity demanded, not one fixed amount — demand is always at a price.

2 Assumptions *(ceteris paribus)*

- ✓ Income — constant
- ✓ Tastes & preferences — same
- ✓ Prices of related goods — same
- ✓ Population — no change
- ✓ No change in future price expectation
- ✓ No new substitutes enter

3 Why the curve slopes down

- ✓ Diminishing Marginal Utility — extra units give less satisfaction, so bought only if cheaper.
- ✓ Income effect — price ↓ raises real income → buy more.
- ✓ Substitution effect — cheaper good replaces costlier ones.
- ✓ New consumers join in + different uses of the good.

CORE IDEA

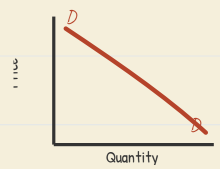
Price ⇅ Qty

Price ↑ → Qty Dem. ↓

Price ↓ → Qty Dem. ↑

(ceteris paribus)

4 Demand Schedule & Curve



- → DD curve slopes downward, left to right — negative slope.
- → Price-Qty table with this trend = Demand Schedule.
- → Add individual curves horizontally → Market demand curve.

5 Movement vs Shift

- ✓ Movement — along same curve, price changes only.
- ✓ Contraction: price ↑, qty ↓
- ✓ Expansion: price ↓, qty ↑
- ✓ Shift — whole curve moves (income, taste, related prices).
- ✓ Right shift = ↑ demand
- ✓ Left shift = ↓ demand

6 Exceptions

- ✓ Giffen goods — price ↓ but demand ↓ too (income effect wins).
- ✓ Veblen goods — status symbols bought *more* at higher price.
- ✓ Speculation — price expected to rise further → buy now.
- ✓ Necessities / life-saving drugs — bought whatever the price.

✎ Demand = desire + ability + willingness to pay, always at a given price & time.

★ Exam keyword: "other things remaining constant" = ceteris paribus — always write it!

? Demand = whole curve/schedule ≠ Quantity Demanded = one point on it.