

PRINCIPLES OF ECONOMICS

B. Com Hons Part-I

TOPIC -

TYPES OF DEMAND

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* Types of Demand :-

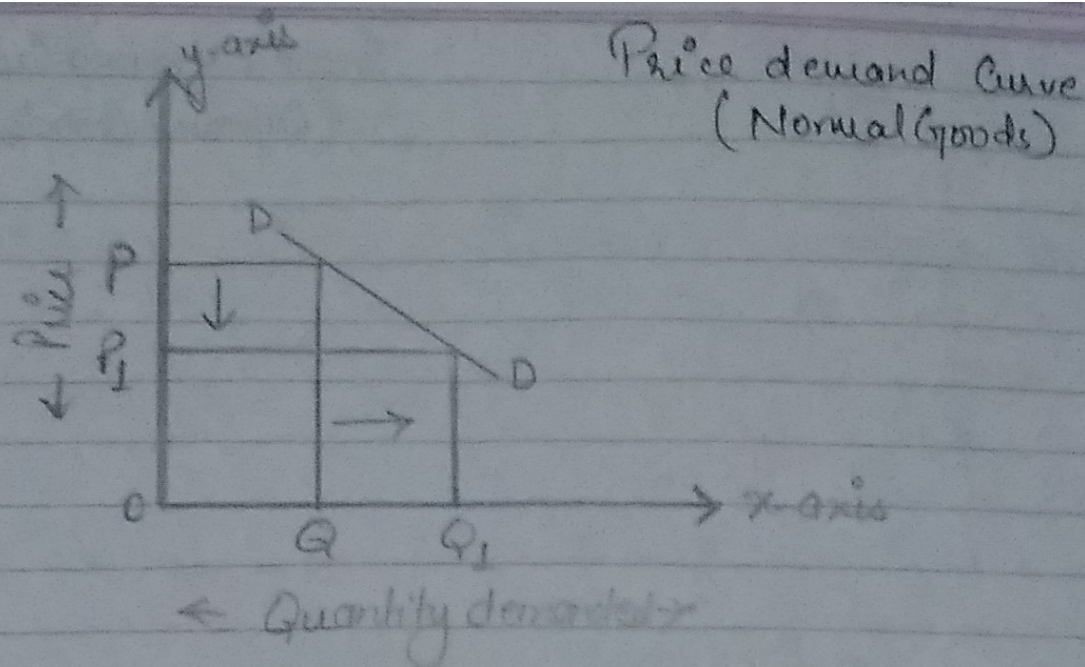
There are three kinds of Demand :-

- (I) Price demand
- (II) Income demand
 - (a) Superior Goods
 - (b) Inferior Goods
- (III) Cross demand

(I) PRICE DEMAND :-

Price demand refers to the various quantities of a commodity that a consumer would demand at a given time in a market at different prices. If other things being equal, such as consumer's income, his taste and price of inter related goods remain unchanged. There is an inverse relationship between price and quantity demanded. i.e., if the price of a commodity falls, demand will exceed and vice versa.

This shows that there is a negative slope of demand curve. It means demand curve slopes downward from left to right.



(2) INCOME DEMAND :-

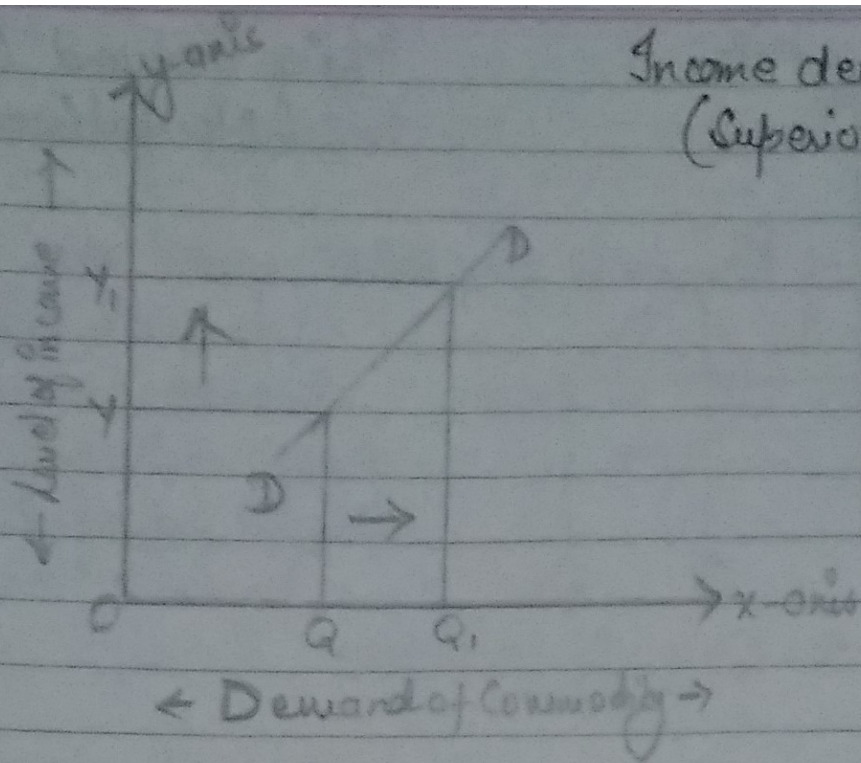
It refers to different quantities of a commodity which consumer will buy at different levels of income, other things remaining the same.

For the purpose of income demand analysis, goods and services may be grouped under two categories —

- (a) Superior Goods
- (b) Inferior Goods.

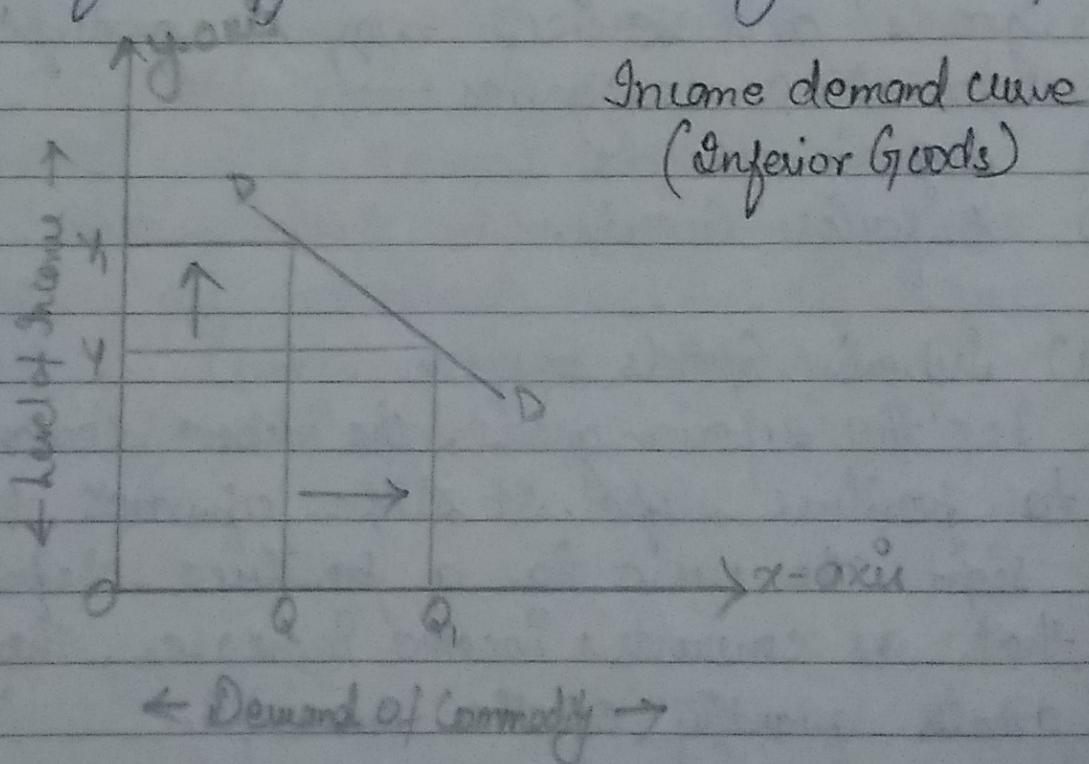
(a) Superior Goods -

For the superior goods, the income demand curve has positive slope. It slopes upwards to the right. The curve has a positive slope shows that as consumer's income increases, they buy greater quantity of the commodity.



(b) Inferior Goods :-

The income demand curve of inferior goods have a negative slope. These goods are bought in large quantities when the consumers are poor. As they become richer, they buy small quantities of these goods. Consequently, the income demand curve of the inferior goods have a negative slope.

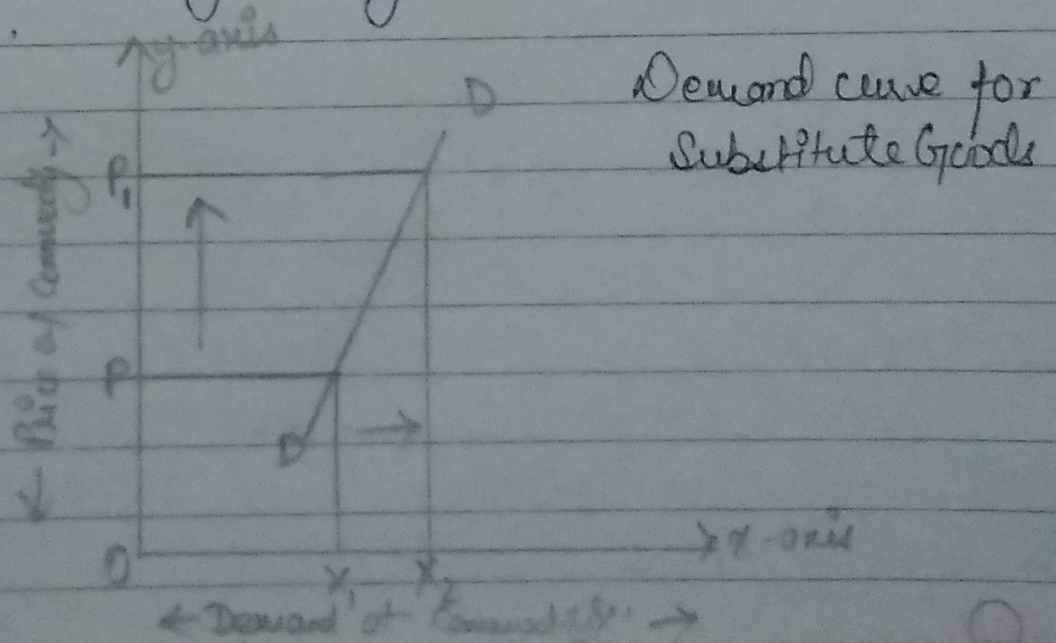


(3) CROSS DEMAND :-

The cross demand means the quantities of goods or services which will be purchased with reference to change in price not of this good but of other inter-related goods. A change in the price of 'X' commodity, for instance, will affect the demand for 'Y' commodity. These goods are either substitutes or complementary.

(a) Substitute Goods :-

If the goods are substitutes, then they satisfy the same want. The more quantity the consumer buys of one, the lesser he requires of the other. For example: tea and coffee are good substitutes. If the price of tea rises, the consumers may buy more of coffee. Thus a rise in the price of tea increases the demand for coffee. A fall in the price of coffee, on the contrary, may reduce in the price of tea.



(b) Complementary Goods :-

If both the commodities are jointly demanded to satisfy the same want, they may be said to be complementary. for example, scooter and petrol. A rise the price of scooter, will decrease the demand for petrol and vice-versa.

