

Examrace

Introduction to Economics and Demand: Meaning of Economics

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Economics

- Economics: A Queen of social sciences
- Economics = 'Oikos' + 'Nomos' (Greek words)
- 'Oikos' = 'House'
- 'Nomos' = 'Management'
- According to J. S. Mill , Economics is “The practical science of production and distribution of wealth.”

Meaning of Economics

- It is the study of how people produce and spend income.
- It talks about 'Economic activities' and 'Economic problems' .
- It is the study of logical choice between scarce resources and unlimited wants .
- It deals with the central problems of an economy such as , What to produce? , How to produce? and for Whom to produce? .
- Economics is the social science that is concerned with production , distribution and consumption of goods and services.

Demand

- Desire
- Ability to buy
- Willingness to buy at a given price and at a given time
- Demand is related to price.
- The relation between price and demand is inverse, when the price goes up of a particular commodity , its demand falls and vice-versa.
- A man may be willing to get a thing, but he is not able to pay the price , it is not the demand in the economic sense.
- But in exceptional cases the two variables may move in the same direction. Example: Griffin goods

Determinants of Demand

- Income
- Price
- Taste and preferences of consumers
- Supply
- Price of other goods
- Expectations about future
- Number of buyers

Demand Function

Demand function states the relationship between demand for a product (dependent variables) and its various determinants (the independent variables) affecting it.

A demand function may be expressed as follows:

- $D_x f (P_x , M, P_Y , P_C , T, A)$
- Where, D_x is the quantity demanded of a product X
- P_x is price of a commodity
- M is the money income of the consumer
- P_y is the price of its substitutes
- P_C is the price of its complementary goods
- T is consumers tastes and preferences
- A is advertisement expenditure

Law of Demand

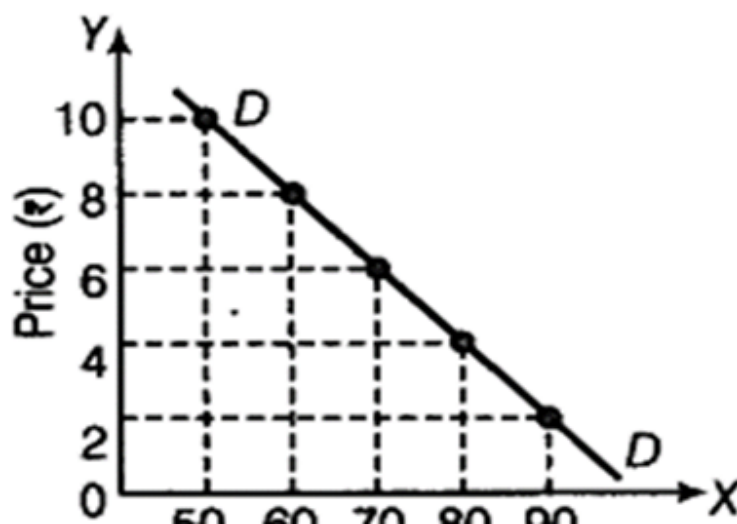
- The law states the nature of relationship between the quantity demanded of a product and its price.
- According to law of demand , other factors being constant (ceteris paribus) , if the price of commodity falls , the quantity demanded of it will rise and if the price of commodity rises , its quantity demanded will decline.
- Thus, there is inverse relationship between price and quantity demanded.

Assumptions to Law of Demand

- Income of people remain unchanged
- Tastes and habits of people remain unchanged
- Price of substitute and complementary goods remain unchanged
- There is no expectation of future change in price of commodity.

Demand schedule

Price per unit (₹)	Quantity demanded (units)
10	50
8	60
6	70
4	80
2	90



30 60 70 80 90
Quantity demanded (units)

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Difference between Demand and Quantity Demanded

Demand	Quantity demanded
Demand lists out quantities that would be purchased at various prices.	Quantity demanded is the actual amount of goods desired at a certain price.
Change in demand -by factors other than price	Change in quantity demanded - by price only and other factors remaining constant.
Change in demand is shown by increase or decrease in demand	Change in quantity demanded is shown by expansion or contraction in demand.
<i>Difference between Demand and Quantity Demanded</i>	

✍️ Manishika

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