

Meaning of Demand:

Demand for a commodity refers to the amount of a commodity which consumers are willing to buy and able to buy at a particular price during particular time period.

Explanation:

i) Why is demand called an effective desire?

Desire is a wish to have something and demand is an effective desire.

Demand = Desire + willingness to buy + ability to buy.

Desire is a wish to buy a commodity. When desire is backed by willingness to buy and ability to buy, it becomes demand. For example: I may have the desire to buy a car, but it will only become demand when I have ability to buy it and willing to spend money on car.

ii) Demand in economics is always at a price. Demand is always expressed in relation to a particular price.

iii) Demand is always expressed with reference to a particular time period.

Types of Demand

- Individual Demand and Market Demand
- Ex ante and Ex post Demand
- Joint Demand
- Derived Demand
- Composite Demand

Individual Demand and Market Demand

Individual Demand	Market Demand
The quantity of a commodity that <u>an individual</u> consumer is willing to buy at a given price during a given time period is known as Individual demand.	The total quantity of a commodity that <u>all the households</u> are willing to buy at a given price during a given time period is known as Market demand.

Ex ante and Ex post Demand

Ex ante Demand	Ex post Demand
i) It refers to the amount of goods that consumers are willing to buy during a particular time period.	i) Ex post demand refers to the amount of goods that the consumers actually purchase during a particular time period.
ii) Ex ante is the planned or desired amount of demand.	ii) Ex post demand is the amount of the goods actually bought.

Joint Demand: It refers to the demand for two or more goods which are used jointly or demanded together. For example – cars and petrol, Ink and pen, bread and butter. An increase in demand for cars leads to increase in the demand for petrol.

Derived Demand: The demand for a commodity that arises because of the demand for some other commodity is called derived demand. For example: When demand for houses or buildings increases, the demand for cement, steel, bricks also increases. Here demand for cement, steel, bricks is derived demand.

Composite Demand: Demand for goods that have multiple uses is called composite demand. For example: Demand for milk is composite demand. Milk is demanded for multiple purposes like preparing tea, coffee, sweets, ice cream, curd.