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Demand

From Individual Demand to Market Demand

1. Definition and Factors Affecting Individual and Market Demand An individual demand means quantity demanded of a good by an individual

consumer at various prices per time period. Market Demand is the aggregate of the quantities demanded by all consumers in the market at different prices per time period.

Factors influencing individual and market demand are shown in Table 3.2.

Table 3.2 **Factors Affecting Individual and Market Demand**

Individual Demand	Market Demand
1. Price of the good	1. Price of the good
2. Price of other good	2. Price of other good
3. Income of the consumer	3. Income of the consumers
4. Tastes and preferences of consumer	4. Tastes and preferences of consumers
5. Expectations of buyers	5. Expectations of buyers
	6. Number of consumers in the market
	7. Distribution of Income
	8. Age and sex composition of population

The first five factors affecting individual and market demand are the same as given on earlier pages. Some additional factors affecting *market demand* are:

6. **Number of Consumers in the Market.** More the consumers in the market, more will be the market demand for the commodities.

7. **Distribution of Income.** More even the distribution of income in a country, more will be the market demand for the commodity.

8. **Age and Sex Composition of Population.** The age group and sex composition of the consumers decide the pattern of market demand.

2. Individual and Market Demand Schedule and Curve

Let there be two households *A* and *B* in the market for wheat. By aggregating or summing their individual demands, market demand is obtained. It is shown in Table 3.3.

Table 3.3 **Individual and Market Demand Schedule**

Price (₹ per kg)	Individual Demand Schedule for wheat (kg per month)		Market Demand Schedule (kg per month)
	Q_A	Q_B	$Q_A + Q_B$
2	4	5	9
4	3	4	7
6	2	3	5
8	1	2	3

Graphically, the market demand curve is a **horizontal** summation of the two individual demand curves. The derivation of the market demand curve is shown in Fig. 3.7.

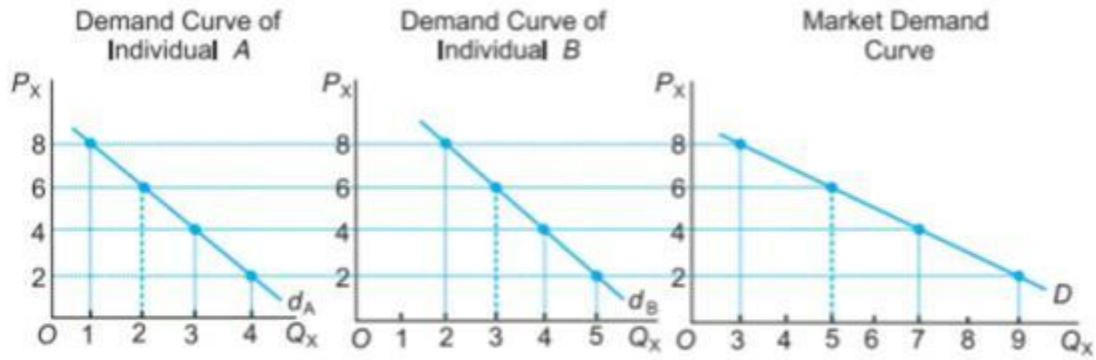

Fig. 3.7 Individual Demand Curves and Market Demand Curve

where

d_A and d_B = Individual demand curves for two consumers *A* and *B*.

D = Market demand curve. It is the lateral or horizontal summation of d_A and d_B curves at each and every price. It obeys the law of downward sloping demand.