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Demand and Want- Basic Economics

The topic 'Demand' is a priority topic in the subject 'Economics'. Economics is a branch of social science. It basically studies the behavioural changes of the economy i.e. changes in consumption, production, national income and anything which can be thought to be a part of the economy.

Difference Between Want and Demand:

Want is the desire to purchase something. Let us consider an example here;

suppose a beggar or a pauper desire to buy a Mercedes Benz. He can only dream and wish to own the car, but in reality, he cannot afford it since his want is not backed with purchasing power.

So, ***a desire that is not backed with purchasing power is known as Want***. Wants are unlimited but resources (money an individual own) are limited. In economics we are not concerned about fictional factors such as want.

Demand on the other hand is an important factor. ***A desire which is backed with purchasing power is known as demand.*** The business tycoon's desire to purchase a Mercedes Benz can definitely be termed as DEMAND.

*Since economists are not much concerned about 'want' they at times use 'desire' and 'want' interchangeably.

Law of Demand:

Ceteris paribus (other things remaining constant) as the price of a commodity rises, quantity demanded for that commodity falls. And Ceteris paribus, as price of a commodity falls, quantity demanded for that commodity rises.

Example: Suppose we have Rs. 100 in our wallet and we have to spend that purchasing pens only.

If each pen costs Rs.5 we can afford 20 pens. ((100/5 = 20)

Now, if the price of pen increases to Rs 10 we can then afford on 10 pens (100/10 = 10)

So, we see as the price of a commodity increases, other things remaining constant, quantity demanded for that particular commodity falls.

Basic Factors of Demand (Quantity)

- Price of a commodity: As the price increases quantity demanded falls and vise versa.
- Income of the consumer: Higher the income of a consumer, higher is the quantity demanded.

- Price of related goods (Substitute goods or complementary goods): If the price of a substitute good falls, consumer shifts to the substitute good. On the other hand, if the price of a complementary good falls, consumer prefers consuming more of both the commodities.
- Taste and preference:
- Future Expectation