1.25. DEMAND

Demand is a consumer's **willingness** and ability to buy a product or service at a particular time and place. If you like a new pair of shoes but can't **afford** them, it's a desire not a demand. But if you have the money and you are ready to buy shoes, it's **demand**.

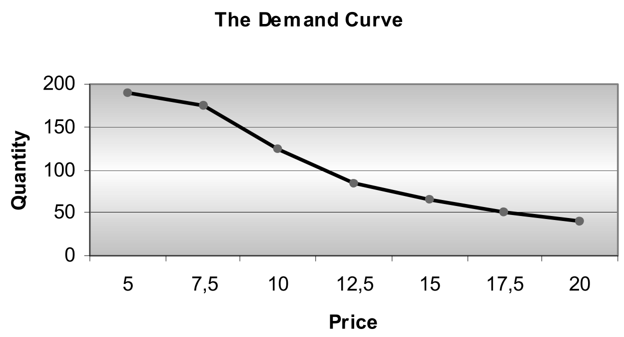
THE LAW OF DEMAND

Among other things being equal, more items will be bought at a lower price than at higher price. For example, you decide to start a T-shirt business. Before you **invest** money in this business you have to conduct a **survey** to see if people would be interested in your shirts.

THE DEMAND SCHEDULE

Price	Quantity Demanded
$ 5.00	*190*
7.50	*175*
10.00	*125*
12.50	*85*
15.00	*65*
17.50	*50*
20.00	*40*

THE DEMAND CURVE (for T-shirts)



This survey illustrates the law of demand in action. The number of shirts that people were ready, willing, and able to buy was greater at a lower prices.

The following is a brief least of factors that might affect the demand:

- Change in the weather or season.
- Change in income (Income effect of demand)
- Number of buyers.
- Change in styles, tastes, habits.
- Future Price Expectations.

ELASTICITY OF DEMAND

If the price of milk doubles from $ 0.80 to $ 1.60, people will buy less milk. If the price of Cola drinks doubles from $ 1 to $ 2, people will buy less Cola. But even though both prices changed by the same percentage, the decrease in milk sales would be far less than the decrease in Cola sales.

This is because people can do without Cola more easily than they can do without milk. The demand for Cola is price **elastic** and the demand for milk is price **inelastic**.