THE DEMAND FOR ECONOMIC GOODS

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ABSTRACT: *Satisfying the most needs of the consumer is done/achieved with economic assets. Each good has substitutes: using other goods where the original cost of using asset increases. The needs are desires. If needs are analyzed carefully, it is found to have various emergencies. People buy more or less a good since the price they have to pay reduced or increased. The concept of needs projects the concept of demand in the application that links quantities that are purchased by the sacrifices made to achieve these quantities [7]. While human needs seem to be limitless, a desire can be satisfied only at a certain price, which means that people moderate their demands. This phenomenon is not surface and superficial. Rather it is deep and usually is given the status of law: law of demand.*

KEY WORDS: *the demand, the individual demanding, the market demand, income change, the prices, consumer preferences*

1. INTRODUCTION

The law of demand expresses the existence of inverse relationship between the quantity purchased by people from a particular economic good and the price must pay. At higher prices it buys less, at lower prices will purchase greater quantities of a particular economic good. Usually, the explanation given to *inverse relationship* between the quantity required and the price is the following: when the price of the good increases, the buyer seeking to save it and use the substitution with other goods cheaper. If the price falls, effort-saving move to other property and the product is used to substitute goods more expensive [8].

2. THE DEMAND AND THE QUANTITY ASKED

Although, in general, changes in demand based on price change are reversed, there is the possibility of a positive influence of price on demand, which seems to

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express exceptions to the law of demand. Atypical behaviour of the demand occurs in several situations:

a) *the effect of anticipation*. When an asset price increases and this causes an increase in the quantity purchased of that good in anticipation of further price increases. But this is not an exception to the law of demand. Anticipation of higher prices, due to first increase in price, increased demand for that product. Consumers buy more today to be able to buy less in future. No higher price, but changing expectations is the leading consumers to buy more today. They are guided by the idea to make reservations before the price increase further. Price drop may be accompanied by decreasing demand, consumers prefer to buy at lower prices also in the next period.
b) *the effect of income*. Sometimes, it believes that the law od demand checks only for normal goods and luxury goods (luxury goods) are exceptions. A decrease in the price of luxury goods does not result in an increase in demand since these goods remain accessible only to certain categories of buyers;
c) *the effect of snobbery* that is manifested in the case of buyers who want to show the consumer that belong of a higher social class and purchase goods becoming more expensive. In this case, it buys some goods for their price high, not low, in order to impress with high purchasing power;
d) *the effect of incomplete information*. In the absence of better information, quality of products is determined by price. A higher price seems to indicate a higher quality. But there are situations where the same quality goods have different prices and demand is greater for the more expensive;
e) a demand form are manifests atypical for "*Giffen paradox*". Poor families allocate most of their income to purchase the basic foodstuffs. Price increases for these products has the effect of the increase and not decrease the demand for them. Demand drops for other goods.

Corresponding to this situation, Giffen named the paradox that bears his name: "In these given circumstances, usually after a commodity price increases lead to decreasing demand manifests its inverse, ie the price increase may be accompanied by increased demand.

"Giffen paradox" can be explained based on two general effects of increasing the price of a good: on the one hand, there is increasing the amount required of other goods whose prices have not increased (*substitution effect*), and on the other hand, it manifests the reduced of real income (*income effect)*. If the price of a lower good increases, and the effect of income is greater than the effect of substitution, the quantity required increases.

Depending on *the level to which expresses* a demand for a good can be seen in several ways: the individual demanding expressing the relationship between the amount requested by a consumer and its price of the product; the market demand expresses the relationship between the amount requested from a good to the market level and its product price. The market demand is obtained by adding "horizontal" the quantities required by consumers in each price level.

It is assumed that product market X is represented by three consumers: A; B; C. The quantities purchased by each consumer every day, in relation to price, are shown in Table 1, and the market demand in Table 2.

Table 1. Individual demand of consumption

Quantities from good X acquired by consumers A, B, C.	**Sale price (u.m. / Q)**					
	12	**10**	**8**	**4**	**2**	**1**
Q_A	0	5	10	20	25	30
Q_B	0	12,5	25	50	62,5	75
Q_C	0	2,5	5	10	12,5	15

Table 2. Market demand

p	$Q_p=Q_A+Q_B+Q_C$	Q_p
12	0 + 0 + 0	0
10	5 + 12,5 + 2,5	20
8	10 + 25 + 5	40
4	20 + 50 + 10	80
2	25 + 62,5 + 12,5	100
1	30 + 75 + 15	120

The demand for a particular company. This demand directly affects the production of selling company and shows the production that respective firm can sell at various possible prices and is expressed as income obtained.

3. THE DEMAND AND QUANTITY ASKED SHOULD NOT BE CONFUSED.

In economic theory, the demand is a specific relationship between two variables, price and quantity. *The demand is always a range of prices and a range of amounts that people would like to buy at those prices.*

A movement along the string (line/curve) represents a change in the quantity required and no a change in demand. The amount requested increases or decreases as the price - decreases or increases, but demand remains unchanged, since the demand is the entire curve. In order to increase demand, should something happen to enable consumers to buy at any price a larger quantity of goods, ie to move right and up the entire demand curve.

Table 3. The scale demand for good "X"

Unit price of good (P)	Required quantity (D)
350	200
300	300
250	400
200	500
150	600
100	700

The shift of the demand curve shows that a larger amount or less will be required at each possible price. The phenomenon of increase or decrease the demand can be represented by a scale and a graphic.

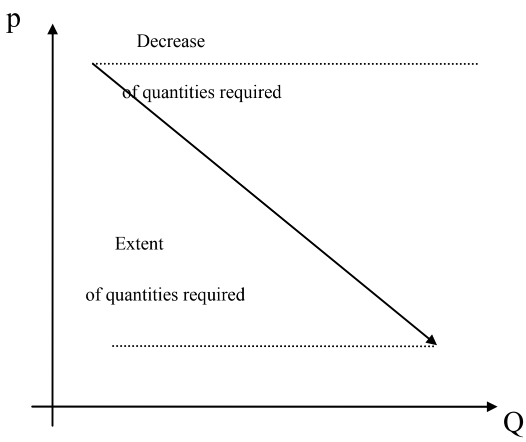

Figure 1. Increase and decrease of quantities required

Tabel 4. Increse and decrease of demand for good "X"

Unit price	Initially demand	Increase demand	Decrease demand
(P)	(D_0)	(D_1)	(D_2)
350	200	300	100
300	300	400	200
250	400	500	300
200	500	600	400
150	600	700	500
100	700	800	600

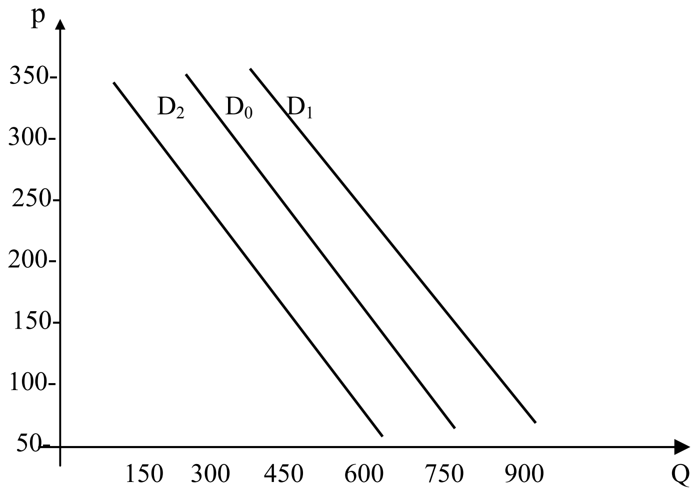

Figure 2. Demand modified

Modification of demand pressures in the same direction simultaneously both the price and quantity required. Moving the plane of the demand curve, right or left is the result of changing some economic factors and outside economy factors named *demand conditions*, such as:

- modify the money income of consumers;
- adjust the price of other goods;
- changes in the number of customers;
- changes tastes (preferences) of consumers;
- forecast on the evolution of prices and income opportunities for substitution of goods;
- feature of the need to satisfy.

All these factors combine to determine the demand for a particular good, and the relationship that is established between the change in price and the quantity required.

Normally, *income change* entails moving the demand curve to the right or left as income increases or decreases.

In turn, *a change in the prices of other goods* is a source of change in demand. In this case however, the situation is different, as goods are substitutable or complementary. *If goods are interchangeable* between asset price changes and developments demand a good B, there is a positive relationship. If *additional goods*, the relationship is negative.

Evolution of demand by income and price changes in goods substitutes is represented in Figure 3. By increasing income or reducing the price of other goods has been a shift in demand curve from D_0 to D_1 and above the price p_0, the amount purchased increases from q_0 to q_1.

If the income is reduced or increased prices of other goods, the demand curve moves to D_2 and the amount purchased at the same price $p_{0,}$ is q_2, unchanged for the good considered.

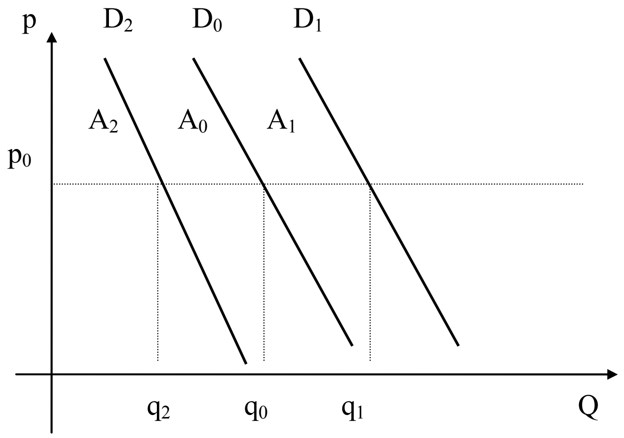

Figure 3. Evolution of demand to substitutable goods.

As long as demand does not change, the price and quantity required are moving in opposite directions. The only changes that not lead to the change in demand for a good price is the *good price.*

If a combination of the above factors determines the more people to want the respective good, the demand for it will grow. An increase in demand increases the required quantity and the price, in this case "so when demand is high and when demand is declining will be a lesser amount required by higher prices and not lower prices" [7].

The demand is resulting from the interaction of several factors: consumer needs, prices of goods, disposable income of consumers. The consumption need, or wish to receive a good utility, is the first factor which causes *the appearance* of demand.

Consumer need makes the demand to be a rational act, the result of a calculation, and one conditioning. The demand is directly proportionate to the needs existing in society and is influenced by the environment in which it manifests (imitating other consumer demand or is stimulated by the manufacturer by advertising).

In most cases the needs exceed the possibilities to satisfy needs. *The demand usually falls below consumption needs*. The situation is caused by the limited nature of resources that determine the possibilities of production and limited level of buyers incomes, leading to some needs remain unsatisfied.

The disparity that exists between need and demand derives from the fact that demand is a market category (it satisfy the provisions of sale - purchase involving bilateral transactions), while consumption needs can occur and cover in a certain proportion also outside the market, through self-consumption.

Although the needs and demand is a direct connection, the need is the source of demand, she automatically not becomes demand. For the need to turn into demand are necessary appropriate available revenues. In addition, the individual must be willing to pay the price demanded by the seller.

It is recognized generally that demand is decreasing function of price. This derives from the rational consumer behaviour that seeks to maximize utility, in order to obtain maximum utility allowed level from his income.

Consumer needs no matter how intense it is, can be satisfied only when is the corresponding income. *In the absence of revenue, need not turn in demand*. Being ignored the other factors, *the demand varies with income level in the same direction*. In addition to factors previously analyzed, the demand is influenced by other factors including tastes (preferences) to consumers, the economic situation, consumer expectations and demographic variables.

4. CONCLUSIONS

The demand depends on *consumer preferences* considerable extent formed under the influence of various factors:

- age;
- gender;
- family structure;
- occupation;
- tradition, etc.

Consumer behaviour studies, conducted in terms of tastes, have revealed, first, that human desires are insatiable no matter how practical it would increase disposable income and, on the other hand, tastes are extremely diverse. If the first part determines the *increase in demand* for good, the second issue determines *the diversification of goods.*

In relation to consumer tastes two events occurs:

- *the tendency to imitate;*
- *snobbery.*

The first issue is that some consumers are shaping their demand for some goods according to the request of others persons. Such behaviour is known as the *effect of imitation.*

The snobbery effect is found at that category of consumers to witch quantity required is inversely proportional to the amount required by others. It represents the expression of the desire of consumers to distinguish themselves from other consumers.

There are products whose demand is influenced by the *economic situation.* The intermediate goods and final goods belong to durable goods category which has sensitive demands to the change of temporary factors.

In addition, consumer demand is influenced by *consumer expectations* about price trends. A prediction of inflation will lead to purchases made in advance, also an anticipation of some reduction in income encourages the savings and current demand decreases.

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