

## **Law of Demand (continuation)**

### **Movement Along and Shifts in Demand Curve**

- Movement along the demand curve occurs when there's a change in the price of a good while all other factors remain constant.
- Extension of demand occurs when the price falls, causing an increase in the quantity demanded, shifting the equilibrium point along the same demand curve.
- Contraction of demand happens when the price rises, leading to a decrease in the quantity demanded along the same demand curve.

### **Shifts in the Demand Curve**

- Shifts in the demand curve occur due to changes in factors other than price.
- An increase in demand happens when factors like tastes, income, prices of substitutes, prices of complementary goods, propensity to consume, or the number of consumers change in favor of a good. This shifts the demand curve to the right.
- A decrease in demand occurs when these factors move against a good, shifting the demand curve to the left.

### **Giffen Goods**

- Giffen goods are inferior goods that defy the law of demand.
- Demand for Giffen goods increases when their prices rise due to income constraints.
- Conditions for Giffen goods: they must be inferior, lack close substitutes, and comprise a significant portion of buyers' incomes.

### **Veblen Goods**

- Veblen goods are goods for which demand increases as their prices rise.
- Some high-status goods, like expensive wines or perfumes, are considered Veblen goods.
- As their prices decrease, people's preference for buying them decreases because they're no longer seen as exclusive or high-status products.
- The concept is named after economist Thorstein Veblen, who introduced conspicuous consumption and status-seeking.

**Related Effects**

1. Snob Effect: Demand for a good decrease as more people buy it.
2. Bandwagon Effect: Demand for a good increase as more people buy it.
3. Counter-Veblen Effect: Demand for a good increase as its price falls.

These effects are anomalies in demand theory because they suggest that preferences for a good are influenced by price and the behavior of others. Actual demand changes depend on various factors, including the availability and substitutability of other goods.