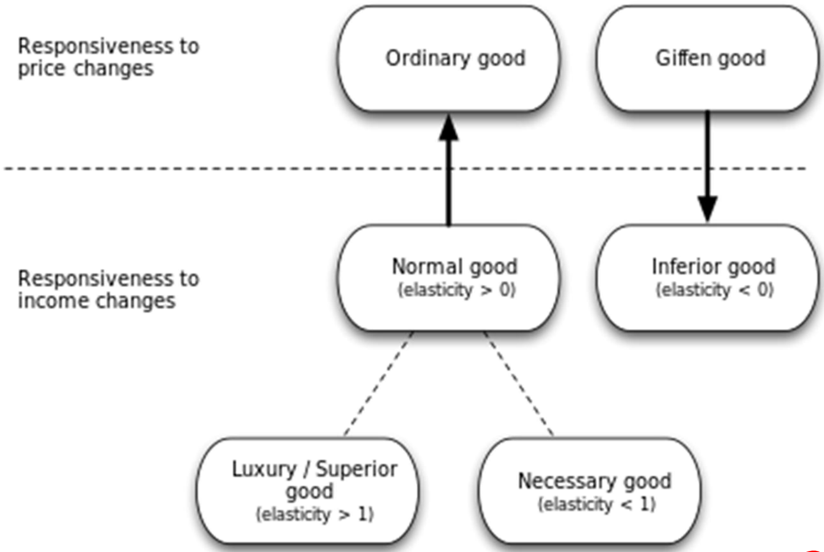
In economics and consumer theory, a **Giffen good** is a product that people consume more of as the price rises—violating the law of demand. For any good, as the price of thegood rises, the substitution effect makes consumers purchase less of it, and more of substitute goods; for most goods, the income effect (due to the effective decline in available income due to more being spent on existing units of this good) reinforces this decline in demand for the good. But a Giffen good is so strongly an inferior good (being more in demand at lower income) that this contrary income effect more than offsets the substitution effect, and the net effect of the good's price rise is to increase demand for it.



Evidence for the existence of Giffen goods is limited, but microeconomic mathematical models explain how such a thing could exist. Giffen goods are named after Scottish economist Sir Robert Giffen, to whomAlfred Marshall attributed this idea in his book *Principles of Economics*. Giffen first proposed the paradox from his observations of the purchasing habits of the Victorian era poor.

It has been suggested by Etsusuke Masuda and Peter Newman that Simon Gray described "Gray goods" in his 1815 text entitled *The Happiness of States: Or An Inquiry Concerning Population, The Modes of Subsisting and Employing It, and the Effects of All on Human Happiness*.[1] The chapter entitled *A Rise in the Price of Bread Corn, beyond a certain Pitch, tends to increase the Consumption of it,* contains a detailed account of what have come to be called Giffen goods, and which might better be called Gray goods