

decreases when the price of such commodity falls. Sir Robert Giffen observed this behaviour in England in relation to bread. He noted that when the price of bread declined, people didn't buy more because of an increase in their income or purchasing power. They preferred to buy superior goods like meat.

PRESTIGE GOODS

Expensive goods like diamond, gold etc. are status symbol. So rich people buy more of it even when their price are high.

PRICE ILLUSION

Consumers have an illusion that high priced goods are of better quality. Therefore demand for such goods tend to increase with a rise in their prices.

SPECULATION

The law of demand doesn't hold true when people expect prices to rise still further. For example price of oil, sugar etc. tend to rise before demand. So people go on purchasing more at a high price.