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Business

Relationship between the Country and International Trade By One of the factors that interest me is the country and how it is affected by international trade. The prices of the goods in a country are influenced by demand curve that is affected by prices of particular goods. However, these factors are not confined to a country but are affected by international demand.

Thelaw of demand states that the higher the price of a good the lower the demand of the particular goodwithin the country (Dutta, 2006). On the other hand the lower the price of a good the higher the demand for the particular goods. The demand curve is downward sloping but there are usually increased prices due to a monopoly company. Therefore consumers have no options but to purchase the goods at the set prices which is against the law of demand. The diagram illustrates the profits that a particular company in an industry can get in a country if it is the dominant player and its goods are the ones most demanded.

In the short run, the industries in the country will get profits as indicated by area PBA, however, this is affected by international trade that ensures other competitive firms can introduce their products as well. International trade has led to an increase in the amount of goods in any economy and so the demand for local goods has gone down. This leads to the lower prices of goods locally. The demand of goods is further affected by the prices of other related goods. International trade can result to the presence of substitutes and complements that affect the demand of goods in the economy (Dutta, 2006). Substitutes are a direct replacement to a particular class of goods. This means that if the price of good increases consumers will simply shift to alternative goods. Complements are goods that are used together. If the price of one of these goods increases then the demand is likely to drop, as such the demand for the complements also drops.

Questions:

What is the difference between the short term and long term equilibrium in competitive markets?

Clearly explain what are the barriers of entry to a monopolistic market?

Bibliography

DUTTA, S. (2006). Introductory economics (micro and macro): a textbook for class XII. New Delhi, New Age International (P) Ltd., Publishers.