

How can knowledge of macro and microeconomics help the small business owner today...

[Economics](#), [Microeconomics](#)



Number and Number Importance of Macro- and Microeconomics to Small and Large Business Owners

Microeconomics discusses the basic supply and demand curve. Basically, business owners should be aware that they can take advantage to increase the market prices of their goods and services in case demand exceeds supply. On the other hand, business owners should lower down the market prices of their goods and services in case supply is more than its demand. On top of the basic supply and demand theory, the study of economics also makes business owners gain better understanding about the market structure. Monopoly is possible through the use of trademark law or government protection. With this in mind, business owners need to know that having a pure monopoly right in the market means that price elasticity is not present (Mankiw).

When the business owner has a monopolistic right over his business, the business owner has the advantage to increase the market price of goods and services they are selling (Blinder, Baumol and Gale: 212; Binger and Hoffman: 391). However, monopoly is often characterized by a demand curve that is sloping downwards (Mankiw). Therefore, for a monopolistic company to increase its sales, the business owner should still decrease the market price of goods and services up to such point wherein the company's target market is willing to spend. In case of perfect competition, the business owners are being challenged to keep the market prices of their goods and services more affordable (Mankiw: 313).

Macroeconomic theories are important to business owners as it gives them a better insight and understanding about the external factors that may occur

in international markets which may eventually affect the domestic market. Aside from discussing aggregate demand and aggregate supply (Dornbusch, Fischer and Startz: 79), macroeconomics is not limited in examining a country's import and export but also other economic concepts related to trade balance, capital inflows and outflows, trade balance, and foreign investment among others. Since we are in the era of globalization, macroeconomic theories help business owners who are into import and export make important business decisions.

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References

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