A demand curve shifts economics essay

A shift in the demand curve to the left or right represents a change in consumer preferences. A shift to the right indicates that an item has become more commercially desirable and that a larger number will be sold at a given price. A shift to the left is just the opposite, indicating that a marketplace good is less desirable and that fewer items will be sold at a given price.

How would supply or demand be affected when the following things occur?

Oranges- after a tornado

The demand cure will shift to the left meaning that there has been a change in what the consumer is interested in. The oranges will become less desirable because there will be fewer oranges to sell at a given price. There will be a short supply of oranges and the demand for them will lessen in that area hit by the tornado. It will take time to build the funds for any equipment that had been damaged by the tornado. Other areas will still have the same demand for the oranges because they were not affected by the tornado and they may pay a higher price for the oranges.

Automobiles – after a major recall

This will affect the maker of the automobile and the demand for autos from that maker will go down. Other auto companies may have a spike in sales if the consumer is shopping for an automobile that has not been affected by the recall. This spikes the demand for other autos from another company and halts the supply from the auto that has been recalled.

Spinach- after the FDA announces that spinach can prevent cancer

Here the demand curve will shift to the right. Suppliers will have to adjust to the change to meet the level of demand. The price on the spinach rise because if demand increases so does the price. This may lead to a shortage of the spinach because the demand can exceed the quantity of the spinach supply.

Flu Vaccines – after technology was discovered to mass produce flu vaccines

If there is a mild flu season not everyone will get a flu shot. For example, if there was a press release of a large amount of people contraction the flu, more people would get flu shots and the demand will go up. If there is less press coverage of people contracting the flu, the less there will be a demand. Since the vaccine can be mass produced the supply and demand will stay equal and the price affordable and may not fluctuate much at all.

The midterm exam will be worth 150 points or 15% of your grade.

It will constitute of 5 short answers worth 30 points each. The midterm exam is open book and there is no time limit on the exam. You have the option of saving your answer and resuming at a later time. When completed, please submit in a ONE word document.

Upload via attachment

The midterm exam questions will contain material discussed in class (discussions, assignments, websites, etc.) and textbook material (Chapters 1-7, 9-11).

All short answers must contain information using no external research. Students are required to respond in their own words using applicable examples and knowledge gained from the class. A typical short answer should be between 100-150 words.

The following rubric will be used to assess each of your midterm answers:

15 Points- Justification and Accuracy of Answers (opinion, point articulation)

10 Points – Integration of example (s)

5 Points- Spelling, Grammar and APA (typos, grammar style, tone, flow)

** Please note that APA must be used when answering each question (introduction, body, and conclusion).

** Each answer should be on a separate sheet of paper

** There should be one title for the midterm exam

3. Describe the flow of resources, products, income, and revenue among the economic decision-makers (households, firms, and markets) in an open economy. How does this affect GDP? (30 Points)

4. Compare and contrast the command economy, the capitalist economy, the traditional economy and the mixed economy. (30 Points)

5. In your own words, please define and describe the following terms: supply curve, demand curve, gross domestic product and gross national product. (30 Points)

To better define macroeconomics, consider its distinction from microeconomics. Imagine you are attempting to figure out how the price of a certain good has been determined. Microeconomics would focus on how supply and demand determine prices, while macroeconomics would study the determination of prices at all levels. To test particular policies and ideas, or to find out the causes of good macroeconomic performance, we need to have some measure of overall economic activity. For this reason, macroeconomics uses aggregates (totals) to measure key concepts such as national income, output, unemployment, inflation, and business cycles (periodic expansions and contractions of economic activity). By studying macroeconomics and understanding the critical ideas and tools used to measure economic data, you will have a better perspective on the issues and problems discussed in contemporary economics.

Compare and contrast 3 main differences between microeconomics and macroeconomics. Why is it important for you to study macroeconomics? (30 Points)

Microeconomics is the study of your economic behavior and the economic behaviors of others. (McEachern, p. 8). Macroeconomics studies the performance of the economy as a whole. (McEachern, p. 9).

Economists use economic models when making predictions or assumptions about the economy because they are easy to relay information through. Most people are visual and like things broken down into pieces that all connect. The circular flow model would be beneficial because it traces the flow of resources, products, income, and revenue for making financial decisions.

Economists use economic models when making predictions or assumptions about the economy because an “ economic theory, or economic model, is a simplification of economic reality … (It) captures the important elements of the problem under study” (McEachern, p. 9). Trying to examine all of the economic variables and data would be so complex and overwhelming, that the original problem or question could easily become lost or diffused. A theoretical model, on the other hand, facilitates focusing on the key relationships (p. 69).

Economist use economic models when making predictions or assumptions about the economy mainly because the models help simplify things. The economy and everything that goes along with it can be a very complex matter so without the simplification it would be easy to get confused or off track. The models also help to create a template for economists to follow when they are making their predictions of what will happen in the future. This allows them to try and plan ahead for things that might come about. You cannot plan for everything but it is better to be over prepared then not at all. These predictions help economists be sure that all the demands can be met. Economists sometimes use the scientific method to study economic problems. It consists of four steps, Step one: Identify the question and define relevant variables, Step two: Specify assumptions, Step three: Formulate a hypothesis, Step four: Test the hypothesis.

According to William McEachern, an ” economic model is a simplification of economic reality”, which economists “ use to make predictions about the real world” (McEachern, 2009, p. 9). Economic models assist economists by condensing and illustrating information, allowing them to analysis situations and create a future forecast. There are several different economic models, such as the production possibilities frontier (PPF), the circular flow diagram, supply and demand diagram, as well as other advanced economic models. The PPF takes into consideration all “ resources, technology, and rules” which apply to production, and “ identifies possible combinations of the two goods that can be produced when all available resources are employed efficiently” (McEachern, 2009, p. 27). In general, the PPF model is a curved graph that allows economics to determine what production levels are efficient, inefficient, and unattainable. The circular flow diagram is a flow chart “ which describes the flow of resources, products, income, and revenue among economic decision makers” (McEachern, 2009, p. 6) . This economic model illustrates for economists how a system functions in order to determine if it is operating efficiently or inefficiently and if it can be improved. Finally, the supply and demand diagram identifies the supply and demand of a good or service, while depicting its price, quantity, and equilibrium. This model allows economists to measure and predict how changes in supply or demand effect price and quantity.

2. List and describe in your own words 3 determinant of aggregate demand and 3 determinants of aggregate supply?(30 Points)