

Health economics

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Demand and Supply Curves of Drugs

An example of health care goods is drugs used to administer treatment to patients by doctors or nurses. As a product, drugs have been used extensively due to the increasing diseases affecting different people. Some of the drugs are curative while others are preventive. These drugs are obtained from the market with the prices, quality, and quantity varying, which brings in the issue of supply and demand (Mankiw & Taylor, 2006).

There variations must occur if there is change in demand, supply, or price of the drug.

The supply curve of these drugs can be shifted in response to changes in a number of factors. For instance, high level of technology, decrease in the cost of production, decrease in profit obtained from other goods, and an increased number of sellers in the market will shift the curve to the right side of equilibrium. All these factors will lead to a decrease in price of the drug in question since very little cost is used in production (Taylor & Weerapana, 2011).

On the contrary, Mankiw (2011) argues that if the price of inputs increases, cost of production of other goods increases, level of technology diminishes, and the number of suppliers in the market reduces, then it is expected that price of the commodity increases. These factors will shift the supply curve on the left side of the equilibrium side as a result of negative change in the market prices. Additionally, increased prices of the drug will lower its demand since very few people will be able to purchase it.

On the other hand, demand curve will be affected by a several factors. For example, increase in the expected value of the good, increase in the value of a substitute, decreased price of the complementary good, increase in the

number of the potential consumers and increased earnings of the consumer will lead to increased demand. This will lead to the equilibrium shifting to the right. This will lead to increased value of the drug. Moreover, when there is a decrease in expected value of the commodity, increased value of the complementary commodity, a decrease in the price of the substitute; decreased number of potential consumers and decreased income of the consumer will lead to a downward change of the curve or the curve shifts to the left hence less demand. This decreases the price of the certain drug and supply will be down. Decrease in demand leads to flooding of a certain good in the market (Arnold, 2008).

Several factors impact the degree of supply curve or demand curve shift (Graves & Sexton, 2006). First, monopoly or production of one type of commodity in our case a drug can influence production in a number of ways. To begin with, if there are no substitutes of the certain commodity or income of the consumers is high, demand of the drug increases leading to an increase of the drug. Again, if there are substitutes, the demand lowers, hence, lowering the price of the commodity, hence, high supply in the market.

Another factor is competition. It affects supply and demand in that, if the competition of the commodity is high, it means that demand is high. In turn, increases the price of the drug lowering its supply in the market is expected. If the competition goes down, it means that the supply of the commodity is high, and this lowers the demand significantly and, hence, low prices of the item (Graves & Sexton, 2006).

In case of a high production cost of a certain commodity, it means more input is required to produce a certain good. This in turn decreases supply

which, in turn, leads to high pricing of the good hence demand increases. On the contrary, if the inputs and the production cost required are low, there will be an increase in the supply of the commodity, which will lead to price decrease of the commodity eventually lowering demand (Mankiw, 2011). This leads to flooding of the commodity in the market.

References

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