Economics there is a direct economic relationship

Economics lessons include both demand and supply analysis. The research focuses on the analysis of demand. The research centers on supply analysis.

Price influences both supply and demand. Demand. Demand is the economic term for the quantity needed, wanted, or desired by the buyers or customers. Different persons have different supply type demands.

Each individual has different supply quantity demands. There is a direct relationship between product price and product demand (Miller, 2011). The economic demand theory states that an increase in the product's selling price will trigger an opposite decline in the demand for the products, if all other economic factors are equal. For example, ten people have demands for product AC at $11 per unit. An increase in the selling price of product AC to $12 per unit may reduce the demand to only eight people.

A further increase in the selling price to $15 per unit may reduce the amount demanded by the current and prospective clients to only 5 people. However, a decrease in the price of product AC from $11 per unit to $8 per unit may create a 13 person demand. Likewise, a further decline in the selling price of product AC from $11 to $ 6 may create an increase in the demand for the products to 17 persons (Miller, 2011). Supply. Supply is the economic term for the quantity of products available to the current customers. Prospective clients are eager to determine the current supply status. The quantity also refers to the quantity suppliers are willing to produce for the current and prospective clients.

There is a direct economic relationship between the products' selling price and the quantity of supplies produced (Officer, 2009). The economic law of supply dictates that as the prices of goods and services increase, the manufacturers or suppliers increase their production outputs. An increase in selling price translates to higher supplier profits. On the other hand, a decline in the selling prices prods the suppliers to reduce their production outputs.

For example, ten people demand product BD at $11 per unit. An increase in the selling price of product BD to $12 per unit will normally persuade the suppliers to increase their production output to twelve units. A further increase in the selling price to $15 per unit will generate an increase in the quantity or products manufactured to17 units. On the other hand, a decline in the price of goods from $11 to $7 can trigger a decline in the suppliers' production output from ten units to only six units. Another decline from $11 to $5 can reduce the supplier's production output to two units (Officer, 2009). Equilibrium Price. Equilibrium price is also called the agreed price.

The equilibrium price is the price that both the buyer and the supplier agree in exchange for goods or services offered by the suppliers. For example, Customer A wants to buy a toy car for $ 5k from the supplier. The supplier offers the products to the customer for $ 20. To receive the offered products, the customer gives a higher $ 8 purchase price. The supplier counters by stating the new selling price is $14 to the prospective client. The prospective client accepts the $14 per unit selling price.

The $14 amount is the equilibrium price. It is the price that both the sellers and buyers agree as the exchange price for the suppliers' goods and services. Disequilibrium. Disequilibrium occurs when the supplier's price is higher than the equilibrium price. Consequently, there is a lower demand for the suppliers’ products and services. Thus, there is an oversupply of the suppliers’ products. On the other hand, there is an excess demand for the company’s products if the suppliers’ price is below the equilibrium price. There is a shortage of the supply because there are too many current and prospective clients eager to grab the suppliers’ products (Sowell, 2009).

The supply and demand economy theory is important. The prospective customers will not just buy apples from a grocery store just because the store is selling apples. Likewise, the people will not enter a hamburger restaurant just because it is selling hot tasty cheeseburgers. The people will buy the hamburgers because the customers are hungry. Likewise, the customers will buy apples because they need to fill their hungry stomachs. After eating a hamburger, the hamburger customer will have no demand for more hamburgers. In the same manner, the apple customer will not buy another apple after eating more apples.

On a full stomach, the customer will not demand for another apple or another hamburger (Sowell, 2009). Different products have different selling prices. Gold fetches a high price because of its rarity. Some universities can afford to charge higher school fees compared to other schools. Gasoline prices fluctuate depending on the global fossil fuel supply and demand activities. Chinese labor salaries are cheaper than salaries paid to California workers (Sowell, 2009). Going further, the stores would not just sell stones to residents. The residents do not need the stones to fill their empty stomach.

The stores do not just sell Eskimo clothes in California. The California residents do not need the Eskimo clothes in the hot California sunshine. The stores sell hamburgers because the competing hamburger store is selling lots of hamburgers. There is a high community demand for hamburgers. In addition, another tore is selling surfboards near a surfing beach resort. The demand for the store's surfboard products is flourishing because the establishment is catering to the demands of the current and prospective clients for surfboards (Sowell, 2009). Effect of economy on supply and demand. However, the effective supply and demand principle normally occurs in a laissez Faire economy.

The economy is characterized by the freedom of the sellers to sell their products at any price they democratically want. Likewise, the economy includes the buyers' right to freely buy any object or property at any price. In a monopoly, there is only one seller. Thus, the current and prospective clients are forced to buy from the lone store. The lone store has no competitors. Consequently, the lone store can raise or lower the prices of their goods and services. The buyers are at the mercy of the sellers (Rothbard, 2006). There are factors that affect the demand for goods and services.

An economic depression creates a decline for the demand for goods or services. An economic depression occurs when businesses close shop. The 2008 economic depressions triggered the bankruptcy of more than 100 business entities in the United States, including banks. The closure of the businesses triggered an increase of the unemployment lines. An increase in the United States' unemployment rate precipitates to a decline in the average individual’s purchasing power. The decline contributed to the reduction in the demand for products. The closure of many businesses precipitated to the reduction of the various supplies available to the current and prospective clients (Rothbard, 2006). In times of plenty, the demand for many products is high.

Many companies are having abundant sales from selling more supplies. The unemployment lines are short. More people have jobs. With more jobs, the people have higher demands for diverse supplies. Companies produce more supplies to fill the high supply demands (Rothbard, 2006). Based on the above discussion, economics topics incorporate both demand and supply analysis. The selling priced affects demand.

The selling price influences supply. Indeed, price affects both supply and demand.

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