

# [Article analysis week 1 economics 365](https://assignbuster.com/article-analysis-week-1-economics-365/)

[Economics](https://assignbuster.com/essay-subjects/economics/)

Week One Article Analysis ECO/365 January 16, 2012 Week One Article Analysis David Colander defines economics as " the study of how human beings coordinate their wants and desires, given the decision-making mechanisms, social customs, and political realities of the society” (Colander, 2010, p. 4). Coordination in this definition refers to production content, method, recipients, and even quantity. To think like an economist one must analyze every situation by comparing the costs and benefits and make any decisions based on those findings (Colander, 2010).

The study of microeconomics zeroes in on the individual and analyzes how economic forces affect the choices he or she makes. Economic forces will ensure that what people want and will pay to get will match what is available. This is the concept of supply and demand. If the prices are such that people are not willing to pay it to obtain an item or service, they will choose to buy less of it, not buy it, or buy a substitute. This is the working of the law of demand. The price affects both supply and demand. When prices increase, the demand decreases, and when prices decrease, the demand increases.

In the law of supply, however, if prices increase, individuals and companies will increase the supply because the opportunity cost of not producing the product rises with the price (Colander, 2010). There are factors other than price that can lead to changes in supply as well as changes in demand. These could be government policies, taxes, income, social norms or expectations, political forces, tastes, and prices of other goods, to name a few. Four Steady Trends In theHarvardBusiness Review, Beinhocker, Davis, and Mendoca discuss 10 trends emerging in this economy.

They consist of four trends that are steady, five that are accelerating, and one that is decelerating (Beinhocker, Davis, & Mendonca, 2009). The four steady trends can be summarized as a scarcity of resources, thescienceof management, the economic growth of Asia, and progress in technological innovation (Beinhocker et al. , 2009). Because of the recession investment in the production of oil has been limited, and the prices on that which is available has climbed steadily over the last few years. Water resources are also seeing a strain because of the growth in population, industrialization, and changes in climate.

The use of advanced quantitative tools to make managerial decisions continues to be a steady trend. Companies will continue to make decisions through analytical methods using data and computing rather than gut instinct as research has proven it to be effective. Asian countries have shown significant growth in moderntechnology, industrial practices, and organizational methods. Although the current recession has slowed the economic growth in Asia, it has not stopped it, and they continue to show remarkable development within their economy.

The final trend that remains steady in their outline is the use of research and development. Companies will continue to budget for research and development to improve upon processes and increase proficiency. The payoff for this practice is too large for companies to ignore. Five Accelerating Trends Beinhocker et al. (2009) determined the five trends that are accelerating as loss of trust in business, government involvement in business, changing consumer-spending habits, reshaping of industries, and an unstable priceenvironment.

Companies are concerned with the decline of trust citizens have expresses toward corporations. This type of environment can make doing business difficult and more expensive. It is more difficult for businesses to attract and retain customers and talent. It also can lead to negative publicity or even boycotts. Leaders in corporate America need to demonstrate their understanding of citizens’ concerns relating to high-level compensation within their organizations, and their treatment of staff facing layoffs, among other things.

Government has begun playing a much larger role in businesses since the turn in the economy started. Policy makers are taking part in decision-making processes previously conducted by managers and officers on the board. As in the past, when government becomes involved it most likely will mean a permanent change in its role (Beinhocker, Davis, & Mendonca, 2009). The change in consumption patterns is due to the fact that the 80’s and 90’s saw high consumption by baby-boomers financing their purchases. As the recession began the boomers faced retirement buried nder large amounts of debt. This easily brought buying to a halt and with the aging population and depleted savings it will be a more slowly rise back to normal patterns. All industries are generally affected by a recession. The trend outlined here is that businesses will continue to reshape themselves during these times at an even higher rate. Taking advantage of opportunities that become present can reshape a business’s competitive environment and give them an advantage in this economy. The final accelerated trend reviewed is the pattern of price instability.

Over the past thirty years companies grew to expect an overall steady price environment. This is no longer the case. The article suggests that “ rather than trying to accurately forecast inflation or deflation – an impossible task – companies should focus on how they might manage price instability” (Beinhocker et al. , 2009 p. 60). They recommend reviewing contracts with suppliers, wage agreements, policies on pricing, and hedging strategies to locate any dangers to the company in this area. Companies should make it a priority to refine their purchasing practices.

The Single Decelerating Trend The final trend outlined in the article is the decelerating trend ofglobalization. Globalization seemed secure before the recession; however, some aspects of this trend are now questionable. Although the globalization of goods and services may slow for a period because of a decline in international trade and demand, it will not reverse entirely. The globalization of talent will also continue. Financial globalization is the area of most concern to strategists and is less likely to continue at its previous rate.

It is suggested that companies test their business models under various globalization scenarios to uncover situations that may arise with tariffs, capital constraints, or restrictions on the movement of people. These are all very real possibilities outside of our country and help to explain the deceleration in the trend of globalization. References Beinhocker, E. , Davis, I. , & Mendonca, L. (2009, July). The 10 trends you have to watch. Harvard Business Review, 87(7/8), 55-60. Retrieved from http://www. hbr. org Colander, D. C. (2010). Economics (8th ed. ). New York, NY: McGraw-Hill.