

Principles of economics report example

[Health & Medicine](#), [Alcoholism](#)



The following paper has been written in order to explain in detail the various principles that are applicable in economics. The paper has been written with the view to make the audience aware of the principles of economics and how they are implemented in a cross section of market. In order to understand the principles, it is important to understand the basic philosophy underlying business practices. The paper is intended to acquaint the audience regarding these ideologies thus understanding economics.

Economists estimate billion of dollars being spent by the society due to alcohol and other related problems¹. Misuse of alcohol causes many monetary expenditure such as health related expenditure, loss of productivity, rehabilitation costs, premature death and crimes related to alcohol abuse. These estimations help to understand the cost of tackling alcohol abuse that the society at large has to pay in order to combat the habit.

Alcohol abuse: solutions

Even though much finance is spent in combating alcohol abuse, its estimation becomes difficult due to unspecified costs such as the loss of productivity and the loss bared by family members. Nevertheless estimated costs give an insight into the gravity of the situation. According to reports published, an estimated \$223. 5 billion are spent every due to excessive alcohol consumption and its after effects such as workplace productivity and cost of healthcare².

Researchers propose setting of minimum price for alcohol which is relatively high. By doing so, government can discourage excessive abuse of alcohol. Instead of taxing liquor, setting high minimum price can be more beneficial

to the government and also much more effective, it can substantially reduce health related issue by lowering alcohol abuse. Another cost-effective method of lowering alcohol abuse is screening and government intervention thus protecting citizens from alcohol abuse.

Supply and Demand of Prescription drugs

In economics, the law of supply and demand is one of the basic principles governing economic theories. When the supply of a product increases, its price decreases and vice versa. The US is facing major labor shortage and many industries are faced with restrictions and regulation due to social and environmental hazards.

Pharmaceutical supply chains play a major role in supplying prescription drugs to the consumer. After going through various stages such as manufacturing, stock packaging and transporting to the retailer, the consumer is handed prescription drugs. Therefore the supply and demand affect not only the manufacturing of the drug, but many other activities are affected. When there is a high demand, labor, manufacturing and other costs also vary and thus the supply and demand of prescription drugs affect the entire pharmaceutical supply chains, thus affecting various commodities such as raw material and labor. Apart from the pharmaceutical supply chains rise or decrease in prescribed drugs affects many other sectors of the health care industry such as private insurer, patients and patient programs. (“Principles of economics”, 1)

Elasticity of supply and Elasticity of demand

A curve's elasticity determines the degree at which demand or supply curve will react to a change in price. The elasticity of the product varies according to its importance to the end consumer. Those products which have high demand are not affected by price change as consumers would continue buying them, whereas in contrast, a good that is less necessary to the consumer will lose its demand due to a hike in price. Those goods whose quantity supplied or demanded are greatly affected by price hike are termed as highly elastic goods. On the other hand, when the quantity of supplied and demanded goods is not affected, or moderately affected by price hike, they are known as inelastic goods. Daily necessity goods are usually inelastic goods.

The elasticity of a good is defined as the degree of demand that varies according to its pricing. Thus, when there is a shift in supply, the elasticity of demand plays a major role that impacts this shift. For example, those products that are necessary will see a rise in demand when there is a shortage, thus the demand elasticity is less. Considering that even if the price is more, and its demand does not get less. Similarly, as the demand for a good increases, the price also increases and thus the supplied quantity will increase, but the rate of its increase is determined by the supply elasticity. Elasticity of supply determines the rate of responsiveness of supply to the price increase and quantity demand. For example, when there is a short supply of a popular product, its price rises and the manufacturer increases output in order to meet the demand. The higher the elasticity of supply, the faster the increase

in supply when demand increase along with the increase in price. (“Evaluating perfect competition and monopoly”, 2)

Increasing cost Industry

The increase in demand causes higher production cost along with an upward shift of the average cost firm caused due to the emergence of new firms entering into the market thus eventually increase the cost of key resources. Therefore there is an increasing cost-industry. This results in higher equilibrium prices than the original price.

Increasing cost industry example would include all labor intensive industries in US as US faces a shortage of labors, such as textile and shoe industry. Also those industries facing tough environmental and social regulations such as oil drilling companies are termed as increasing cost industries.

Competitive market and Market Efficiency

a competitive market is defined as a market that which consists of a adequate buyers as well as sellers such that a single buyer or seller is not able to control the markets or the price. Such kind of competitive market results in market efficiency as maximum demand price is paid by buyers due to the competition whereas competition forces sellers to pay for a given quantity exchanged, minimum supply price. The main reason for competitive markets to be efficient is due to the equilibrium achieved as the demand and supply prices are equal. When the economy is unable to generate greater satisfaction by producing more of certain good and less of another, a state of equilibrium is reached and thus the competitive market becomes efficient. In a market oriented economy, competitive markets play an important role as

they are able to meet scarcity issues and thus solve problems without the intervention of the government (“ Principles for economic regulation”, 3)

References:

1. Menger C. Principles of economics. 23 April 2012. Retrieved from web. <http://mises.org/Books/Mengerprinciples.pdf>
2. Evaluating perfect competition and monopoly. 23 April 2012. Retrieved from web. <http://www.philipallan.co.uk/pdfs/txtecoa209.pdf>
3. Principles for economic regulation. 23 April 2012. Retrieved from web. <http://www.bis.gov.uk/assets/biscore/better-regulation/docs/p/11-795-principles-for-economic-regulation>