

Supply and demand case study

[Business](#), [Marketing](#)



Answer 1

I agree with the statement that supply usually creates its own demand according to the statement made by the economist who appeared on CNN (news station). In an economy, the production as well as the sales of goods usually produces automatically an income of the same value for the producers. The income is then re-injected into the same economy to create more demand which is enough to buy the same goods and services hence supply creating its own demand. This is in alignment with the market model which states that the return of a certain security is usually dependent on the market portfolio returns as well as the extent of the responsiveness of the security. Therefore, production of a certain commodity is determined by the supply of the same good and not by its demand. Every time an individual sells services or goods, the individual acquires income of equal value to buy the same output hence creating its own demand.

Answer 2

A monopolistic market is characterized by numerous numbers of different small firms producing similar and close substitutes. As such, it's likely that there are very many restaurants in the area and the business is therefore extremely competitive. Alice should therefore close the restaurant when the marginal cost is less than the marginal revenue. However, since she has been experiencing losses by failing to earn an economic profit, she should close her restaurant soon. However, since each monopolistic business has some degree of control, she can try to reduce the price and see the outcome before closing it.

Answer 3

Optimal price can be defined as the price which leads to profit maximizing. It is therefore the demand price in a monopolistic market which brings the market into profit maximization of the full capacity of outputs of products. The optimum price in the monopolistic market occurs where marginal cost usually intersects the marginal revenue. The output of the product usually determines the optimum price of the same product on the demand curve. The optimum price causes the profit from the excess of the total revenue created from the total cost.