Market equilibration process paper

Science, Physics

If one is laid off, he/she will expect or demand less because there is lessmoney. Demand is a schedule or curve that reveals the various amounts of a product that consumers are willing to purchase at each of a string of potential prices during a specified period of time. Demand shows the quantities of a product that will be purchased at various possible prices; other things equal (McConnell, Flynn 2009). An important characteristic of demand indicates that as price falls, the quantity demanded rises and as the price increases, the quantity demanded falls.

The relationship between the price and quantity demanded is called an inverse relationship and this is what Economists call the law of demand. In discussing the law of demand, an example could be the housing market equilibrating process. The current economic times has created many families to be In a state of disequilibrium or deficit. Several years ago house prices were rising, and the demand exceeded the supply. There were housing expansions and new development throughout the state of Alabama, consumers were able to take out easy loans, and several individuals were flipping properties, expecting the housing market to continue to rise.

Suddenly the market changed rather quickly, and home values decreased. Investments In the real estate market quickly stopped. The sousing supply now surpassed the demand and prices decreased. This created a flood of short sales and foreclosures for many homeowners. Many families were out of homes and became renters. Modification within the marginal pricing of homes was most likely more Important to the market equilibrating process than the decrease In average price solitary.

Housing and apartment prices are patterned after the modifications in housing supply and demand. The demand angle includes aspects that are expected to change in price, demographics; household income expected return on a house as well as other factors that are demand shifters. Supply Is a schedule or curve showing the various amounts of a product that producers are willing and able to make available for sale at each of a series of possible prices during a specific period. As price rises, the quantity supplied rises; as price falls, the quantity supplied falls.

This relationship Is called the law of supply. A supply schedule tells us that, other things equal, firms will produce and offer for sale more of their product at a high price than at a low price. (McConnell, Flynn 2009). The 1 OFF and state of housing or institutional factors that facilitates or hinder households' access to the housing market, such as financial innovation on the mortgage and housing loan market. With the current economic hardships the housing market predictions are a few years until housing equilibrium.

The equilibrium price (or market-clearing price) is the price where the intention of the buyers and sellers match. It is the price where the quantity demanded equals the quantity supplied. Making use of the example of the real estate market, graphically, the equilibrium price would be indicated by the intersection of the supply curve and the demand curve. In conclusion, this paper described the concepts of supply, demand, and market equilibrium, using real estate as a real world example.