# Microeconomics research paper sample

Economics, Microeconomics

## Related Learning Experience

Throughout my time in the workforce, I have been able to amass a great deal of experience in directly working with and becoming familiar with a variety of elements of microeconomics. This experience has been quite diverse considering the fact that the number of employers within my work history is rather limited. Similar to many young adults starting out, I began my work history with a job at a prominent fast food restaurant, which represents my first major learning experience in important microeconomic concepts such as product markets, factor markets, and the fundamental principles of economics. These concepts were ever present throughout my career, first at the fast food restaurant, and later as I began my career in finance at a prominent multinational bank. It is in this professional environment that I was able to gain a deeper understanding about more complex microeconomic elements, such as the cost and revenue of firms in different markets and the role of the government in promoting greater efficiency and equity in the economy. Learning about cost and revenue took place while working with firms in facilitating financial transactions, lines of credit, and loans. Additionally, I became well-versed in many of the microeconomic mechanisms that the government utilizes to stabilize the national economy. The mechanism I am most familiar with is the United States Treasury's actions of reducing or raising the interest rate in order to increase or decrease the money supply. Essentially, working in the realm of consumer credit has put me in intimate proximity to interest rates as a fixture of credit terms. Generally, these interest rates are based upon two primary factors, which include the current discount rate set by the fed, and the individual's credit rating. Based on this, my professional experience has provided me with valuable insights and advanced knowledge in several major microeconomic concepts. The incorporation of these concepts into my work has made it far easier to comprehend new microeconomic concepts learned through academia, such as those outlined in the section that follows.

## Statement of Learning

According to this course syllabus, there were six primary learning objectives for this course. Based upon the preceding discussion, it was indicated that several of these objectives were learned through my extensive professional experience in the service, banking, and finance industries. Importantly, not all of my knowledge, understanding, and experience regarding microeconomics came from my professional experience, as much of it was gained through academic study in post-secondary undergraduate courses in economics or with economic undertones. In addition, this specific course fully emphasized each of the six primary learning objectives in order to ensure that they were fully learned and understood. Concepts learned through the coursework from this class include learning about the importance of economic analysis, the complex role of the government in ensuring greater economic efficiency, the nature and functions of the various markets, and the fundamental principles of economics. I have studied extensively to achieve each of these learning objectives in order to gain mastery over the subject material so that I can enrich my professional life and future career in finance. Economics is a very important part of the finance industry as the state of the economy often dictates the strength or weakness of the financial markets. Fortunately, the concepts I have learned through the extrapolation of experiential knowledge and academic study have merged to provide me with a well-rounded and comprehensive knowledge and understanding of the six critical learning objectives that have been outlined for this course. In order to demonstrate this, a thorough discussion will be conducted for each of the course learning objectives so as to showcase the knowledge and skill that has been gained as a result of my professional and academic learning of microeconomic concepts. This will be completed by utilizing a variety of scholarly resources, including academic journals and peer reviewed articles from reputable sources, to emphasize the strength and merit of the prose I provide for each objective.

## Describe and Analyze the Principles of Economics

There are several fundamental principles of economics that require additional discussion and scrutiny, which will ultimately be completed here. The most prominent of these principles include the basic functions of the marketplace, that is to say the actions of buying and selling goods or services by transferring ownership from one individual to another. The first principle to emerge is that of opportunity cost. Opportunity cost refers to the cost of using limited resources in one way or another in order to maximize value. Essentially, both buyers and producers must seek out the best opportunities that carry minimal opportunity costs. As such, this concept is often a powerful driving force behind the buying decision, as well as producer decisions regarding investments and business expansion. Another fundamental principle of economics involves the concept of comparative advantage. This concept also involves seeking the most efficient way in which to utilize scarce resources. In particular, an organization or producer must work to make the products or services that they can produce better and at a lower cost than other firms. When a firm or country throws resources into producing a good or service that could be made better and more efficiently by someone else, scarce resources are being wasted when they could otherwise be used in more effective ways. A third and vital economic principle is that of trade. Ultimately, it is trade that has fueled national and international economic growth and development. Trade allows a country to get a great deal more than they would be only relying on their own resources because they are allowing countries to create the products and/or services in which they have a comparative advantage. This ensures the most efficient use of resources, which ultimately leads to more goods for everyone once they are distributed through trade. Also, trade provides consumers with a wide variety of goods to choose from that vary in quality, value, and price, which significantly increases the affordability of many products to those of differing socioeconomic status.

## Identify the Nature and Functions of Product Markets

The product market refers to the marketplace that is most familiar to consumers, as it refers to the place in which final goods and/or services are exchanged through the activities of buying and selling. Product markets generally function based upon supply and demand. Specifically, the price of a particular good or service is set by the demand for that good and the abundance of that good that is present within the supply. The fluctuations of both supply and demand can have significant implications on product price. When demand increases on a certain product or service while the supply remains constant, for example, prices of the good will increase in order to limit demand to the same level as supply. Further, when demand decreases while the supply remains constant, prices of goods will fall in order to provide consumers with additional incentives so as to bring demand in-line with supply. Changes in supply can also influence product prices in a similar manner as increases in supply cause prices to drop to bring demand up to meet excess supply, while decreases in supply cause prices to increase to slow and limit demand to match the scarce supply. This veritable ballet between supply and demand as mechanisms to set product price is known as market equilibrium. When a market is at equilibrium, prices within that market are completely controlled through supply and demand. Importantly, there are some markets that do not function at equilibrium because of the implementation of price floors or price ceilings. Price floors represent a predetermined amount in which prices cannot go below. This is a commonly utilized practice in agriculture through the use of government subsidies. Specifically, farmers are often paid a predetermined amount for each unit of product, which is subsidized by the government to ensure that the farmers can cover their costs while also generating adequate profit. Importantly, this subsidized rate is often higher than the market price, which places the market out of equilibrium because more is being paid for goods than they are worth according to the prices set by the market. The same issue arises with price ceilings, which refers to the setting of an upper price limit that a product or service cannot be priced over regardless of prevailing market prices. Rent controlled apartments represent a good examine of price ceilings in use. Specifically, rent controlled apartments have a limit set in which the rental price cannot exceed despite the current economic conditions. Further, this upper limit often remains fixed over time, and as such, does not take into account economic factors such as inflation. As property values and rental prices rise over time, the rent controlled apartments will not be able to raise their prices to keep in pace, which causes the seller to lose out and the market to be out of equilibrium.

## Describe the Nature and Function of Factor Markets

Unlike product markets, which represent the place in which final goods are bought and sold, factor markets represent the place that the factors of production are bought and sold. The most prominent factors of production within the marketplace include labor markets, capital markets, raw material markets, and management markets. These various markets provide firms with the resources that are necessary for them to produce their goods and services for sale. Each plays a critical role in facilitating the firm in revenue generation as a result of the production process. In particular, every factor of production has its own factor market that companies utilize to their production activity. The labor market represents just one of these factor markets, which is used to obtain the necessary skilled workers to perform the production process to create the finished goods. Further, raw material factor markets are where producers obtain the necessary raw materials, including rubber, steel, plastic, electronic components, and wood, to make the firm’s products. Capital markets as a factor market are used by firms to obtain the necessary capital to finance business operations, expansion, or investment opportunities to maximize stockholder wealth. Finally, and often touted as most important, is the management market, which refers to the market in which organizations glean highly skilled leadership that helps the firm to develop business strategies that maximize the firm's competitive position within its market and industry.

## Apply Graphs and Tables to Illustrate Cost and Revenue

Cost and revenue represent two of the most important elements of a firm's operations because one element represents the money that must go out, while the other represents the money that must go in. Importantly, the nature of cost and revenue can be different depending upon the particular type of market structure being discussed. The four primary market structures include perfectly competitive markets, monopolies, oligopolies, and competitive monopolies. Each of these market structures are comprised of different characteristics that cause cost and revenue to behave differently. In order to better illustrate the differences in cost and revenue between these four market structures, the following will provide a graphical representation of each market to demonstrate its impact on the elements of cost and revenue for an organization operating within a specific market structure.

## Perfectly Competitive Market

Describe the Role of Government in Promoting Greater Efficiency

The government plays a particularly critical role in promoting greater efficiency and equity within the economy, most often through the use of powerful mechanisms including fiscal and monetary policy. Monetary policy refers to a mechanism used by the federal government to control inflation and consumer spending through controlling the supply of money within the economy. In particular, the government will do one of two things to influence the supply of money within the economy, which include changes to the interest rate of treasury bills and changes to required bank reserves. To increase the supply of money within the economy, the government, through the federal reserve bank, will lower the interest rate and the reserve requirements of banks in order to promote increased consumer borrowing and spending. Transversely, the government will do the opposite to restrict the supply of money in the economy by raising the interest rate of treasury bills and increasing reserve requirements, which is the amount of cash that the bank must maintain on hand at all times. When the government decreases the reserve requirements and the prime interest rate in an effort to bolster consumer spending, the government is regarded as implementing an expansionary monetary policy. In contrast, when the government increases the reserve requirement and the prime interest rate, they are pursuing a restrictive monetary policy. The implementation of these policies can provide the government with extraordinary control over critical elements of the national economy that enables the government to promote and facilitate tremendous efficiency and equity throughout the economy. Fiscal policy represents another mechanism used by the government to influence various aspects of the economy. In particular, the government exercises fiscal policy through changes to government spending and collection of revenues. Essentially, the government uses fiscal policy to either increase or decrease consumer spending. To increase spending, the government will generally lower taxes or increase government spending, either of which helping to increase the amount of money in the economy. Further, to reduce spending, the government will implement a fiscal policy that will increase taxes or reduce government spending. In either situations, the government generally relies on one tactic or the other in order to achieve optimum efficiency and equity within the economy, although in dire situations such as the recent economic recession both may be used by the government in an effort to regain economic stability, health, and prosperity. Ultimately, it is not possible to fuel economic growth with diminished or restricted spending. As a result, the government must often employ fiscal or monetary policies to correct issues within the economy in order to ensure continued efficiency and equity throughout the national economy.

Describe the Importance of Economic Analysis

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