

Microeconomic essay

[Economics](#), [Microeconomics](#)



Microeconomic A command economy is also known as planned economic an economy in which central government planning either directly and indirectly sets output targets , incomes and prices. In command economic, the centralized government decides on production and distribution of resources. A command economy limits the personal freedom and individuality of a person . A command economy discourages individualistic profit motives and consumerist needs. A free market economy is based on supply and demand so there is no extortion or monopoly.

The institution of the market is based on the principle of price determined by the interaction of the forces of the market. Also, it was where individual and firms pursue their own interest with little or no government control.

Transaction occurs freely based on mutual agreement on price without state intervention of taxes subsidies or regulation. (Investors LLC 2011). Price of a commodity rises when its demand exceeds supply and when the reverse occurs, it is generally associated with price cuts thus settle equilibrium price when demand equals to supply.

The benefit of free market is its offers continual innovation as producers can undertake the risks and reward associated with increase in production to satisfy the future desires of the mass of consumer as efficiently as possible. As there is no state intervention in the functioning, the buyers are free to purchase and seller can produce whichever product and increase the capacity depending the forces. Besides that, free market ultimately leads to better products as the market is highly competitive that competitors are responsive and create a wider variety of products Han alternative economic approaches that benefit to the consumer .

Firms tends to produce better goods and services at lower cost and more efficiency under intense pressure. (Whisperer. Com 2011) Another advantage of free market economy is free from any monopolistic or oligopolies influences. Consumers are the ones who would determine and influence the types and quantity of goods and services to be produced. The role of the government are limited to ensuring the proper transparency in the prices charged by the seller. (Economic WATCH, follow themoney, Stanley SST Labs. Therefore, nonuser has greater freedom to choose how they spend their income and makes Microeconomic 2 By semiweekly transmits information between buyers and sellers. It requires instantaneous availability of all relevant information and complete freedom from manufacturer from one industry to another. (notes, Krishna , May 24, 2009.) Furthermore, countries that involved in free market economy also experience rising in living standard, increased in income per capital and higher rates of economic growth. This is created by more competitive industries, increased productivity , efficiency and production level.

Employment will increase in exporting industries in the competitive environment and absorb unemployment especially through manufacturing and services industries . Also , while exporting, there is a gain in foreign exchange. Apart from that , free market economy also improves the efficiency of resources allocation. The efficient use of resources enable higher productivity and increasing the domestic output of goods and services. Competitors will promotes innovative production methods with the use of new technology, marketing and distribution methods establishing better products.

NEWS, HOC online, Education& Community). Free market can rewards risk taking by increasing sales, profit margins and market share by building on those profit and expanding operation by entering new market sectors. Besides that , free market is very high income mobility that it is easier to move around income brackets. Free market also lead to higher GAP. Free market have higher GAP as they produce more. Firms that have higher costs will shift to more efficient prosper by looking for a cheaper way to reduce cost . Thus , this drives costs and prices down that benefit consumer.

Also , free market is very productive tax system as people live above the standard of living . Therefore it is easier to collect taxes . (nippers. Com 201). Free market can lead to higher literacy in the country. More money can spent on social programs and efficient social programs . However , there are inequality of large gap between the rich and poor. Minimum wages as supplemental income to adults are clearly insufficient while the rich remain rich. Therefore worker need minimum wage to pay their bills . Minimum wages will allow the business to achieve greater efficiency and lower prices.

However , the increase of minimum wage will encourage illegal hiring as companies might be facing on a tight budget. Business have more power to abuse the labor market through black market . Employer should provide a reasonable paid for labor whether skilled or unskilled. Free market are also lack of public good as the production is based on customer needs and focusing on profit minimization. There is no active government support not restricted by various laws and regulation such as environmental regulation , labor regulation and consumer regulation .