

Homework

Literature, Russian Literature



Economics In most cases, the supply and demand in every market gives the prevailing market price. More considerably, the forces of demand and supply do not always remain stable at the equilibrium level therefore; price levels do not remain constant. In this case, when the demand for oil goes up in the market there will be a deficit in oil supply in the market thus, the price levels will increase to a higher price level. As a result, increase in price levels leads to increased suppliers entering the market thus, increasing supply levels. In the end, the supply level will exceed demand levels causing shift in the equilibrium prices. The oversupply of oil that cause the supply curve of diesel oil to shift while demand is constant as illustrated graphically above that eventually cause prices to go down as explained by Nadler-Kafferlin Economic Consulting, Group, Inc.

According to the dealer of Park Company, the change in prices of gas is not only from changes in normal demand and supply curves, but because it is a complementary good of gas trucks. Thus, changes in price of one good result in effects on the maintenance cost of the other good. More significantly, the increased supply in gas for the next ten years will lead to a decrease in price levels, as the demand levels remain the same. As a complementary good, the cheap prices of gas will be from increased supply and inelastic demand that later causes maintenance of power trucks to be low in the market making it a viable option.

Demand curves Supply curve

si

E

Price P1 E2

P2s

si

Q1 Q2

Quantity

Figure shift in supply and demand curve constant.

It is considerable that changes in price levels in the short run average cost curve always add up together as combined costs in the long-run average cost curve. Based on Nadler-Kafferlin Economic Consulting, Group, Inc advice it is expected that price levels of the diesel oil in the market would change thus, leading to price decreases that will consequently lead to a decrease in the short run average curve. In the end, Ashland Long Haul costs of maintaining the diesel trucks will change over the short run period leading to shift in the eventual long run average cost curve as shown below in the graph where subsets of short run curve lead to the eventual long run curve.

.

Figure: Long run curve

More significantly, changes in the prevailing natural gas prices are expected in the next ten years. Therefore, the maintenance cost of gas trucks that remain as a complementary good of natural gas is high currently because the level of changes in the price levels are currently high thus, short run average costs remain high. However, as the price levels change in the end the average costs will decrease this is because the costs of natural gas are expected to go down. Therefore, the short run curve will be high but will finally be low causing the shift in the end curve downward as price levels decline.

More than often, it is necessary to consider the initial cost of purchases and maintenance cost considering the changes in market factors caused by shifts in the supply and demand levels that cause changes in price levels. Because, Ashland Long Haul is already in possession of diesel trucks and changes in the price levels of diesel trucks are expected to shift it is rational to maintain the diesel trucks. However, with a promising market later in natural gas prices it is advisable to change the purchases in the end after ten years of the speculated changes with the company maintaining both diesel oil and natural gas trucks.

In economics, the speculation of changes in the supply and demand levels as different factors that affect the prevailing market price changes are highly considered. The ceteris paribus state of the market creates the theory of influences in the market prices when factors held constant while others changes. Based on the theory of demand and supply, the disequilibrium state in the market causes either an increase or decrease in the prevailing market prices of goods this is the reason for changes in the diesel oil prices. Nonetheless, the changes of natural gas is influenced by the fact that it is a complimentary good and inelastic demand levels indicate that there is no expected changes in the demand levels for the next ten years. As a result, increase in supply causes an oversupply with buyers left with the choice of dealers who sell goods at low prices leading to changes in cost of maintenance.

More importantly, the best strategy is to use a proportional mix strategy in the purchase of the trucks with both purchases of trucks that use both diesel oil and natural gas. The strategy is based on the expected changes in the

price levels of both natural gas and diesel oil that are expected to fall down. Because it is wise to make a rational decision for being in charge of purchases of the truck the focus is on minimizing the cost it is relevant to ensure that the burden is diverse because the prevalent market prices will be expected to change over time.