

My experience in studying economics

[Economics](#)



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Dear Mummy, I hope you are doing well. I am fine now. I am not home-sick anymore also. I have started getting used to the culture and to do all my work by myself. I am slowly getting into a routine. I recently signed up for various clubs and volunteered for various events. I'm having a good time here. I can't wait to come home for my winter break. Study-wise everything is going smoothly. My friends are helpful and supportive. I have assignments and quizzes due every week. My economics professor is so awesome. I can understand whatever she says. She has written a book called cocktail party. I read that book and it was awesome. She has explained everything with simple and relatable examples. I enjoyed reading the book. So, I thought I should share whatever I learnt, with you.

So there's this topic called scarcity which is really interesting. We have had a lot of conversations related to this topic. I realized it after I read about scarcity. The concept talks about how there's never enough of anything to satisfy all those who want it (scarcity) and that in order to gain something one has to give up something (opportunity cost). Scarcity is about the 'limited resources relative to multiple potential recipients'. When something is available in abundance, people don't value it. Whereas, when it becomes scarce, the people are willing to buy it even if it's expensive. For example, you have 2 days off from work and you spend the time relaxing. A day and half passes by and you have only half a day remaining. In that time you want to spend time with family, go for a short trip, spend time with friends etc. but you can't do all that in half a day. This is called scarcity.

When you had time you didn't bother much but when you didn't have time you wanted to do a lot of things. Opportunity cost conveys the fact that for

every choice you make there is a loss that you have to incur (in order to get something you have to give up something). That loss is called the opportunity cost. For example, I had 2 options- to study in Canada or to study in India itself. I chose to come to Canada. Hence my opportunity cost is I couldn't study in Canada. To explain it in a simpler way, take the example of apples and mangoes. You have to choose between them. If you choose mangoes it means your opportunity cost is apples. It simply means that you give up apples in order to take mangoes.

Next is my favourite concept from high school – Demand. This is about the buyers and what satisfies them. Like you already know, everyone love anything that is free, of low cost or discounted as in these cases they can get the product cheaper than usual. For example, if the price of per notebook rises from \$3 to \$8 (say), the demand for notebooks will be less as people will feel it is not worth that much. But, if the price per notebook falls from \$8 to \$3 (say), the quantity demanded will increase as the people will rush to buy it (an expensive product at a cheaper rate).

This is why the demand curve has a negative slope. Hence, to sum it up, the quantity demanded of a commodity increases with a rise in price and falls with a fall in price. The value a consumer has towards a commodity decreases if the consumer gets more and more of the commodity. This is called marginal value which is basically the value of 1 item to a consumer. There are many factors that affect the demand of a commodity like buyers' preferences, change in prices of related goods (like substitutes and complements), change in come of consumers etc. These affect the demand too.

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There are situations when the price doesn't change but the demand changes. This happens when there is change in factors. For example, if the people expect the price of apples to go up in a month, then they will buy more of it now at the existing price as it will be cheaper compared to the anticipated rise in the price of apples. For example, car and diesel are complementary goods. Hence if the price of diesel rises, then the demand for cars will fall. Similarly, coffee and tea are substitute goods. Therefore if the price of tea rises then the price of coffee will also increase as coffee will be relatively cheaper than tea which will enable the buyers to shift to coffee.

Demand is a very interesting concept. It is extremely relatable as we ourselves are buyers. Ok, I want to explain one last topic – Efficiency and equity. “ How can people be as happy as possible given that we live in a world of scarce resources”. I'm going to stop here. If I could I would've explained the entire book as I have understood it really well. And since I am coming home for my winter break anyways I will tell you everything I learnt in economics. I can't wait to meet you and daddy during my holidays. I'm so excited. See you soon, bye. Love you.