Discussion questions week 1 economics 365

Economics

Discussion Questions Week One Economics 365 TEAM C- WEEK ONE DISCUSSION QUESTIONS 1. What is economics? What role does economics play in your personal and organizational decisions? Provide an example of the role of economics in decision making. (Ana K Gonzalez) * According to " What Is Economics? A Definition Of Economics" (2012): * Economics is the study of the production and consumption of goods and the transfer of wealth to produce and obtain those goods. Economics explains how people interact within markets to get what they want or accomplish certaingoals.

Since economics is a driving force of human interaction, studying it often reveals why people and governments behave in particular ways. There are two main types of economics: macroeconomics and microeconomics. Microeconomics focuses on the actions of individuals and industries, like the dynamics between buyers and sellers, borrowers and lenders. Macroeconomics, on the other hand, takes a much broader view by analyzing the economic activity of an entire country or the international marketplace (Para. 2 & 3). Economics play an important role in all aspects of life and sometimes people don’t realize that they are using economics day by day.

With the use of economics people can understand how to spend time andmoney. Unemployment, technological progress, interest rates and budget deficits are important issues presented in our daily personal and professional lives. As students, economics can help us to acquire more knowledge about what kind of difficulties business in our region presents, how to solve it, and the difference procedures to follow to succeed as a business holder. 2. What is the difference between a movement along and a shift of the demand curve?

What is the effect on the equilibrium price and quantity that results from an increase in demand, supply, and both? Provide examples for each instance. What is the role of supply and demand in decision making? Provide a real-world example. (Sonia Elias) The difference between a movement along and a shift of the demand curve in the movement along is caused by a change in the price of goods or services performed and a shift of the demand curve is caused because a change in any non-price determining on the demand and it can change to both side the right or the left.

The effect in the equilibrium price and quantity that result from the increase in demand is the price goes up because of the demand of the product is more and also the quantity has its effect because with more demand it requires more quantity on the product. A good example is the petroleum now its price is going up because of the demand it is suffer. The role of the supply and demand takes the role of decide how much quantity will require to provide the costumers with their demands on a certain product; it makes the decision of require more quantity of products to supply the costumers. . What is the definition of price elasticity of demand? What is the relationship between price elasticity of demand and total revenue? How does price elasticity of demand affect a firm’s pricing decisions? How does the availability of substitutes affect the price elasticity of demand? Provide an example. (Chuck Crain) By definition, price elasticity simply means the way demand responds to price changes. The relationship between price elasticity and total revenue can be a very successful one or a total nightmare based on whether or not the product has good elasticity.

As long as the product is something the general public either needs or is very high on their want list, then the product has good elasticity and the profits will continue to increase, thus making total revenue much greater. However, if the product is something society can live without, then the product has bad elasticity and total revenue will go down. When a firm decides to make or sell a product, many considerations go into their long term plans, such as will this product stand the test of time and will it be profitable even in tough financial cycles.

As long as the product has good price elasticity and the competition is low, then prices can be adjusted to meet the current market price or to increase revenues. However, if the product has a bad elasticity, then the business will have to decide on whether or not to raise prices, but this decision could cost the company money now and in the future because the customers chose not to pay a higher price. When people want a similar product without the high price, they turn to substitutes.

This can include any generic brands of products that provide close to the same experience for the customer, without the higher price of their original brand. Substitutes greatly affect the elasticity of price, because people can choose to buy another product at a lower price, and basically get the same results from the product. An example would be if a person loves to drink Coke, but can’t afford the price they charge.

The person would turn to a cheap brand such as Sam’s Cola and receive basically the same benefit, without spending the extra money. * Reference

Principles of Macroeconomics. (2009). Retrieved from http://ocw. mit. edu/courses/economics/14-02-principles-of-macroeconomics-fall- 2009/ What is Economics? A Definition of Economics. (2012). Retrieved from http://www. whatiseconomics. org/ Why is economics considered socialscience?. (2012). Retrieved from http://wiki. answers. com/Q/Why_is_economics_considered_social_science