Analysis for economics – assignment

Economics

There will be definitions for the following economics, microeconomics, Law of supply and the Law of demand. Another subject that will be discussed is the identification of factors that lead to the changes in supply and demand. In order to better understand what is being discussed going to start with the definitions. Define Economics Economics is the branch of social science that studies the production, distribution, and consumption of goods and services. The term economics comes from the Greek for oikos (house) and nomos (custom or law), hence " rules of the house (hold)" (CommerceGoal. com, 2006-2008). Define Microeconomics " The branch of economics that analyzes the market behavior of individual consumers and firms in an attempt to understand the decision-making process of firms and households. It is concerned with the interaction between individual buyers and sellers and the factors that influence the choices made by buyers and sellers.

In particular, microeconomics focuses on patterns of supply and demand and the determination of price and output in individual markets (e. g. coffee industry)" (Investopedia A Forbes Digital Company, n. d.). Define Law of Supply " A microeconomic law stating that, all other factors being equal, as the price of a good or service increases, the quantity of goods or services offered by suppliers increases, and vice versa" (The Free Dictionary by Farlex, n. d.). Define Law of Demand " Observation that, as a general rule, the demand for a product varies inversely with its price—lower prices stimulate demand and higher prices dampen it.

Law of demand holds in most instances, except in case of Giffen good" (BusinessDictionary. com, n. d.). Identify the factors that lead to a change in supply and a change in demand There are many factors that can lead to the change in supply or demand; here is an example of some factors based off the rising gas prices; “ One of the Report’s conclusions is that over the past 20 years, changes in the price of crude oil have led to 85 percent of the changes in the retail price of gasoline in the U. S. while other important factors have included increasing demand, supply restrictions, and federal, state, and local regulations such as “ clean fuel” requirements and taxes” (Federal Trade Commission, 2005). It is amazing that the price of gas has been such a huge issue for so long. Main factors that lead to change in supply and demand are scarcity, increase or decrease in demand, certain laws, costs in labor and raw materials, and the invisible hand. Analysis: Consider the utility derived from the products mentioned in the article The main product in the article is the internet.

The list of utilities that the internet is good for is a mile long. The internet can be used for students to be able to do research in the comfort of their own home instead of spending hours at a library. Here is a great explanation on how the internet can assist in the classroom: “ The Internet provides not only an interesting educational tool for retrieving information and interacting with others but also interesting examples that can enhance students’ intuition about key concepts typically taught in microeconomic principles courses.

Instructors can use relevant issues to promote classroom discussion or create assignments” (Englander & Moy, 2003). The internet has made a world of difference in the life of a college student. It is also used for shopping, consumers can log into their favorite store, order what they need and have it delivered to the front door as soon as the next day. The consumer can do price comparison of products; do research on the product before they buy it to make sure they want the item and that the product will erform the duties they need it to. The internet is also good for locating items that are very hard to find or can not be found in the local area in which the consumer lives. Here is a great example of how the internet has helped in price and product comparison: " a consumer buying a car may not be informed fully about the safety features of various models or may not have adequate information to evaluate the importance or usefulness of various options (e. g. antilock brakes, four-wheel drive, side cross beams to reduce the damage from a side collision). The information asymmetry about those models or features is common and may allow an " aggressive" sales person to exploit the buyer's ignorance" (Englander & Moy, 2003). Another major utility of the internet is the ability to keep people connected. The internet allows friends and family to pay a low monthly price for e-mail, instant message and the ability to speak through a person's computer.

People can actually dial out to another computer and hold a conversation just as if they were on the phone. Describe what has occurred to change the demand for, or the supply of, the good or service, and market prices of those products or services There is not a market, industry, good or service that has not been affected by the internet. Pertaining to demand the internet has changed demand in many ways, mainly due to making a lot of information available to the consumer that did not use to be.

The internet offers more selections and more information on the products so the consumers make a better choice on the product and also the best price as shown here: " Another advantage of the Internet is that it allows consumers to comparison shop on a cost-effective basis (Blumenstein, 1997). Finally, the greater quality and quantity of information provided to consumers makes it more difficult for producers to differentiate their products from others, which also should increase elasticity” (Englander & Moy, 2003).

The Internet has changed the demand for goods and services as well, such things as medical information, directions, phone books, and offering free services as discussed below: “ The development of the Internet has also affected our demand for goods and services by introducing many goods online that are complementary to traditionally produced goods and services. Rayport and Sviokla (1995) cited the example of the Federal Express Corporation, which allows customers to enter an invoice number online to track the progress of a package or determine the recipient who signed for the package.

Such a feature adds value to the consumer and gives the vendor a competitive advantage over any rivals that may not offer that feature” (Englander & Moy, 2003). The change in supply has made it harder for new companies to form and be profitable in industries due to the internet. There maybe an over abundance of information on the internet about something there is not enough information about others as noted here: One of the barriers to entry into an industry that restrains competition is the limited availability of information about producing certain goods and services.

Some firms that would like to enter a particular industry are discouraged from doing so because they may lack critical information related to the production or marketing of the good” (Englander & Moy, 2003). Another draw back pertaining to supply is pricing, while this may be a good thing for the consumer it is not always the same affect for the company: “ Shopping bots search the Internet for the best possible total price for an item, including shipping and handling charges.

These shopping bots are putting downward pressure on the price of online goods and goods sold through traditional brick-and-mortar businesses by increasing price information. With so much information on the price of goods available through the Internet, retailers experience more difficulty in maintaining their traditional markups” (Englander & Moy, 2003). The change in supply, demand, goods, services and pricing has been dramatically affected by the internet. While the internet has tons of positives it is a double edge sword with tons of negatives as well.

In conclusion the analysis of article “ Supply, demand, and the Internet- economic lessons for microeconomic principles courses” by Fred Englander and Ronald L. Moy has opened the eyes of this author. The internet has always has a positive affect on the authors life and now knows the negative. The current conditions of the economy are steadily going down and the author now feels that the . com companies of the world have played and important part in the decline. The author has a much better understanding of economics and the factors that affect it.

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