

Supply and demand

[Economics](#)



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Goodlife Management is the sole provider of apartments available for rent in the city of Atlantis in which the supply and demand simulation provided by UPOX takes place. The simulation provides excellent, real-life examples of how the supply and demand curves may shift based upon various factors that occur within the market in Atlantis. The following details such examples as microeconomics versus macroeconomics, equilibrium pricing, and what drives the elasticity of the market price of the two-bedroom apartments that are available for rent in Atlantis.

The study of microeconomics focuses on the impact of individual choices that are made within the economic market. In contrast, macroeconomics is the study of the entire economy as a whole. One example in the simulation of microeconomics was when the property manager was expected to lower the vacancy rate from twenty-eight percent down to fifteen percent. The other example of microeconomics was when the property manager was given a goal to bring the vacancy rate down to zero percent in order to obtain full occupancy.

Both of these microeconomic scenarios only required the property manager to change one specific aspect of the apartment rentals without too much consideration of other contributing factors. One example of macroeconomics in Atlantis was caused by numerous factors such as the increase in businesses, construction, congestion, lack of affordable housing, and the city council enforcing a ceiling rental amount affecting all two-bedroom apartments.

A second example of macroeconomics occurred when the decrease in demand of the rental apartments caused Goodlife Management to convert some of the apartments to condominiums for sale to broaden the opportunities for an increase in tenants. In both examples provided, there were multiple factors that needed to be considered instead of just focusing on one individual choice. When considering the shifts in the supply and demand curves of the two-bedroom apartments in Atlantis, several scenarios were presented.

Goodlife Management experienced an increase in the demand curve of rental apartments due to the decrease in the rental rate. This shift in the demand curve would cause the equilibrium price to slightly increase because the demand curve would shift to the right and the supply curve would stay the same causing the price to fall higher upon that demand curve. The quantity of the apartments available would stay the same and ultimately would encourage the property manager to follow through with the decision to decrease the rental price.

A great example of a shift in the supply curve occurred when the property manager was asked to rent all of the 2500 apartments available in order to obtain zero percent occupancy. With the increase of the monthly rental price, Goodlife Management shall have more incentive to lease more apartments to tenants. This shift in the supply curve would drive the equilibrium price in a more positive direction to further encourage the rental of more apartments. The quantity of apartments would obviously increase caused by the increase in the supply available for rent.

Such a decision to rent additional apartments at a higher price would more than likely be a definite alternative as revenue shall increase as the vacancy rate gets closer to zero percent. Ebara Technologies, Inc. (ETI) is a nationwide corporation who manufactures vacuum pumps in which one of the corporate offices resides locally in Sacramento. ETI's parent company resides in Japan and most of the American based offices order a majority of parts needed from this same location in Japan.

When ETI first opened for business in Sacramento over thirty years ago, most of the parts, repair, and labor were performed in house and not ordered from Japan. Back then it was much cheaper for ETI to manufacture the parts necessary to build the vacuum pumps without much support from the Japan office. However, as the years went by it became more expensive to perform most of the manufacturing at the Sacramento location and it was determined that ordering from Japan was the most cost effective path to take. This is an excellent example of how the supply curve for ETI decreased while at the same time ETI was able to save quite a bit of money.

The demand curve stayed about the same because ETI's customers were still ordering the same quantity of vacuum pumps. This change provided a great incentive for ETI to purchase the vacuum pumps from the Japan office much like many other corporations in the U. S. purchase parts from wholesalers. The concepts of microeconomics and macroeconomics are both quite helpful to understand what factors affect the shifts in the supply and demand curves that determine the equilibrium price and quantity in the economy.

Basically all it takes is to logically think about whatever event(s) occurs and to follow said logic all the way through from beginning to end. Whether it's just one event categorized under microeconomics such as a decrease in a price, such an event would logically increase the demand because more consumers would be willing to purchase an item at a lower price. In contrast, under the study of macroeconomics one can logically assess each event at a time and pull all of the factors together in order to determine the impact of the gathered events and their impact on the economy as a whole.

Such an overall assessment of all events studied as a whole could most definitely provide great data in order to help make important decisions in regards to changes in equilibrium price and quantity. Throughout the simulation of Goodlife Management's ups and downs related to their apartments for rent, it is easy to see the importance of the price elasticity of demand when considering the choices made by both the corporation and the consumer.

It makes perfect sense that using the elasticity of demand formula ($\% \text{ change by qty. demanded} / \% \text{ change in price}$) that a larger number for price elasticity of demand means the quantity demanded is more responsive to price (Colander, 2010). In summation, the simulation provided by UPOX regarding apartments rented in Atlantis was quite informative and helpful in developing a greater understanding of the many functions of the supply and demand curves.