

Essay on Demand

Demand in Economics: It's Significance, the Law, and Price Elasticity

This example of an essay on demand, comprising 595 words from an Economics subject, offers students a foundational guide to formatting papers in APA Style.



In the world of economics, understanding demand is crucial. It's all about how much people really want something and how much they're okay with paying for it. Understanding demand helps us comprehend why certain products are popular and why prices change. It's super important because it affects how businesses make decisions and how much things cost. So, let's take a closer look at demand: what it is, what makes it change, and why it's such a big deal in the world of buying and selling.

Imagine you love chocolate and you really want it. That's your demand for chocolate. But here's the thing: your demand might change depending on some stuff. For example, if the price of chocolate goes up a lot, maybe you won't want it as much anymore. That's because you might think it's too expensive. So, when the price goes up, your demand goes down. This is what we call the law of demand. It's like a rule that says when the price of something goes up, people usually buy less of it. And when the price goes down, people usually buy more (Jean-Michel Grandmont, 1984). But there are other things that can change demand too. Like, if your friends start talking about how awesome chocolate is, you might want it even more. Or if there's a new chocolate bar with cool packaging, you might get excited and want to buy it. These are called factors that influence demand. They can be anything from advertising to changes in income.

Demand plays a pivotal role for businesses as it influences every aspect of the market landscape. When demand for something goes up, companies usually make more of it to keep up with all the people who want to buy it. And when demand goes down, they might make less or even stop making it altogether. Let's take an example of the latest trendy gadget. When everyone wants it, the stores stock up on it, and they might even raise the price because they know people will still buy it. But when the hype dies down and nobody wants it anymore, you might see it on sale or even in the clearance bin.

Understanding demand also helps us understand people better (*Demand and Supply*, 2019). It tells us what they like and what they don't. For example, if a store notices that nobody is buying their new flavor of chips, they might stop making it and try something else instead. Demand is not just about what people want, though. It's also about how much they're willing to pay for it (Paulus, 2021). This brings us to another important idea: price elasticity of demand. It's a fancy term that basically means how much the quantity demanded of a specific good or service changes in response to a percentage change in its price, while holding all other factors constant (Hofstrand, 2007). For some things, like food and water, people will always need them no matter the price. But for other things, like fancy gadgets, people might not want them if they're too expensive.

The significance of demand in economics cannot be overstated. It's all about what people want and how much they're willing to pay for it. Understanding demand helps businesses make informed decisions and contributes to the seamless operation of markets. Therefore, next time when you're out for a shopping trip, consider the underlying influence of demand and its profound impact on shaping the economic landscape we inhabit.

References:

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