**How A Higher Price And A Lower Price Affect Consumer And Producer**

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Price is the sum of money expected, required, or given in payment for something. According to microeconomics, the price of a certain good or service is clarified by the relationship between producer supply and consumer demand at any given point. When the demand exceeds supply then the price is expected to rise whereas when the opposite happens the price reduces.

The consumer is made up of persons, groups of people, and organizations that use the end of products goods, or services. When consumers demand a certain good then the supply of that good also increases.

Supply is the specified amount of service or good that is available to the purchasers. To the amount of specified price, supply can relate to and within a range of prices presented on a graph. Supply also depends on the demand for specified goods or services.

Demand is the consumer’s desire to purchase certain goods and services and the readiness to pay for the specified amount without hesitation. Market demand is the call for selected goods or services in a market. There are different types of demand. This includes the following: individual and market demand, organization and industry demand, autonomous and derived demand, demand for perishable and durable goods, and short-term and long-term demand.

According to (Jongwanich et al., 2019) price elasticity is a measure of how reactive the marketplace is to a change in price for a given product. However, price elasticity works in two ways. Price elasticity of demand and price of elasticity in supply.

The law of supply states that a price increase is directly proportionate to an increase in supply. When the price goes up then the supply also goes up.

The laws of demand and supply determine the equilibrium price and quantity of goods and services offered in a market. At the point of equilibrium, the quantity demand is equal to the quantity supplied. this means that both the quantity demanded and quantity supplied are the same at any given point. Quantity equilibrium is when quantity matches price equilibrium.

Demand and supply determine the price of goods and services offered in a market or country. Often many companies want to know the demand for their goods and services to determine the price. Through the law of demand and the law of supply, we can explain the effects of price on the consumer and producer in the following way:

Consumers will demand fewer goods when the price is increased. The consumer tends to give up more of their income or other goods to acquire selected goods or buy. This is known as the law of demand. When the price is higher the demand becomes low. Due to restricted resources, buyers have limited spending on given products and commodities thus decreasing quantity demand. When a product is affordable the demand also rises. In conclusion, when the price of a good or service is increased, the quantity demand goes down.

More of the goods will be supplied by the producer due to high profits from the sales when the price is increased. A price increase is directly proportional to an increase in supply. This means that when the price of a good or service is high then the supply automatically increases. The producer produces a lot due to high profits if the costs aren’t increasing as much. This is known as the law of supply. To sum up, low prices mean low supply whereas high prices mean high supply leading to more profit.

When the price of a good or service is decreased the consumer manages to buy more of it. Often customers buy more goods or services when the price is low. This is because the consumer tends to have more resources when the price is reduced compared to when the price is high. The consumer spends a lot when the price is low thus increase in quantity demand. In summary, a reduction in price increases the purchasing power of the consumer thus increase in quantity demand.

When the price of goods and services decreases then the supply also decreases. When the price of goods and services reduces then the producer tends to produce less of it due to low profits from the supply. When the price goes low the producer will produce less of it. This is known as the law of supply which is directly proportional to an increase in the price. To sum up, a price decrease is directly proportional to a decrease in supply thus affecting the production rate.

In conclusion, increase and decrease in price affects consumers and producers in different ways. This means that either the consumer or the producers will be affected positively or negatively by the price increase.

References

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