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**CLEAR-JE No**. 2 **Word count**: 435

[Include only words written under the five criterion headings below. Exclude all section headings. Words over the 500 limit will **NOT** be marked.]

**Making Better Choices with Economics**

**My chosen context**

For the past few months, I’ve had the opportunity to sell book that I would bake such as cookies, donuts and other baked goods at my uncle’s local farm market down in Beenleigh. Mostly every week, I analyse what products were sold the most, which ones were left over, and vary my price accordingly, this continuously varies as I change my prices each week, and this experience has made me think about supply and demand in economics.

**Theoretical concepts/ideas**

* Lecture 3: The Law of Demand: This means that when you decrease prices, people tend to buy more of the product, showing an inverse relationship between price and quantity demanded.
* Lecture 4: Market Equilibrium: When we reach the point where the amount, I supply matches the customer demands at that specific price.

**My prior assumptions**

1. I always thought that decreasing my prices would always lead to more people buying my products.
2. I always thought that market equilibrium was fixed, and that once I found the correct price for my goods, that I could leave it there.
3. I believed that customers only cared about price when it came to baked goods, deciding to buy mine instead of others.

**What I learned**

From the lectures, I figured out that my assumptions were not quite right. The Law of Demand helped me understand why lowering prices increased sales but didn’t always increase profit. I sometimes sold more muffins at a lower price but didn’t make up for the lost revenue per muffin. Market equilibrium isn’t permanent; it’s constantly changing as other sellers join the market or customer preferences shift. I sold out the first week at a lower price; the next week, I had leftovers because demand dropped. Finally, I understood that not all customers value my muffins the same way. Some are willing to pay more for homemade quality, while others seem to want the cheapest option. Adding higher-priced muffins for those willing to pay more helped balance my sales and revenue.

**Reflecting on what I learned**

These concepts are very much applicable to a lot of real-world situations and so I can look back and see how these apply not just to my stall but in many real-world situations. Like I would with too many muffins, businesses such as grocery stores sell and discount stock to clear it before it expires. Governments also do this, for instance, with rent prices, gasoline taxes, etc., to control supply and demand. Finally, the biggest lesson for me is that the right price isn’t a onetime decision, it’s about listening to what the customers want and adapting to change. It has made me more confident running my little business.