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by

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Economic Theory as Evidenced in a Current Affairs News Article

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Economic Theory as Evidenced in a Current Affairs News Article

Although the global supply chain recession, caused by an insufficiency of materials, delays in overseas shipping, and labor shortages, has not affected all businesses evenly, small firms' COVID-19 recovery has been compromised because of chain issues in Canada and a lack of government intervention. This fact provides evidence of Keynesian economic theory, whose main policy inference is that economic insecurity is rampant in the absence of government involvement. Besides, over two-thirds of small Canadian companies are experiencing an effect from the supply chain problem. Most of these enterprises rely on the congested international supply chains for manufactured goods and obtain components from their producers.

When this is combined with the inflationary pressures that many organizations face and the increased cost of doing business in general, these smaller organizations feel a real constraint. The moment could not be much worse for many businesses, which have just made it through a year and a half of continuous lockdowns and capacity constraints imposed by the COVID-19 outbreak (Lord, 2021). Thus, with several businesses dependent on the final two months of the year to produce up to half of their yearly revenue, it is expected that personal factors like the aggregate demand and how companies negotiate the supply chain issues might spell the difference between making it to 2022 or not.

In this case, the aggregate demand for goods sold by small businesses can lead to changes in output and employment. In addition, the article suggests that in recent months, global supply chain problems have put increased pressure on consumer durables prices, thus coinciding with the theory. In the same way that smaller merchants have depended on buy-local to keep their stores stocked, the same trend might deliver the additional assistance that independent companies in Canada require. This suggests that such demand does not equate to the economy's productive

capacity; rather, a variety of private and public factors, like government's intervention, determine it; hence connecting with the Keynesian theory.

The article has provided me with clarity on understanding the theoretical concepts of incentives, scarcity, and costs and benefits. I have comprehended that economic motivations define how the mechanism of demand and supply encourages manufacturers to supply the commodities that clients desire while encouraging them to save valuable resources. Similarly, I have felt the impact of scarcity, a fundamental economic challenge of the globe having limited or scarce resources to fulfill limitless desires. This fact pushes people to judge how to deploy resources effectively to meet as many of their top objectives as feasible. Lastly, I have understood the idea of overheads and benefits, which is connected to the economic theory of coherent choice and equitable expectations. When economists contend that people act logically, they aim to optimize the benefit-to-cost ratio in their decisions.

References

Lord, C. (2021). *Supply Chain Woes Threaten COVID-19 Recovery for Small Businesses*. https://globalnews.ca/news/8369590/supply-chain-crisis-canadian-small-business-holidays/

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