

## Econ. Notes 2



## *Supply and Demand*



Basically, what you want has to come from people who are kind enough to make it.



They are only kind enough to make the thing you want when there are enough people like you who want the same thing.



Demand is looked at through a schedule:



**COOKIE DEMAND**

| Quantity of cookies demanded | Price   |
|------------------------------|---------|
| 25                           | \$ 0.25 |
| 20                           | \$ 0.50 |
| 15                           | \$ 0.75 |
| 10                           | \$ 1.00 |
| 5                            | \$ 1.25 |

This is a schedule that shows the quantity of product or service that consumers will purchase at a range of prices.

### Demand Changes with:

- ~Preferences
- ~Population
- ~Prices of related products
  - ~ Incomes
- ~Consumer perception  
(Price and Ethic)

### Supply is also looked at through a Schedule:



This is a schedule that shows the quantity of the product or service available at a range of prices.



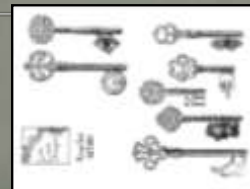
### Supply Changes with:

- ~Changes in the productive capacity
  - ~Technology
  - ~Production Costs
- ~Prices of related goods
- ~Perception of future (Price and Ethic)

Schedules work to make predictions based on previous information



## Key Economic Vocabulary



Equilibrium:  
Suppliers  
supplying, and  
demanders  
demanding at  
prices both are  
happy with.



The market price and  
quantity all move toward  
equilibrium

**CAPITALISM  
& Other Kids Stuff**



Capitalism:

An economic  
system based  
on the  
creation, and  
acquisition of  
wealth

Utility:

The Value,  
benefit, or  
enjoyment that a  
person receives  
from consuming  
the product.

(Utility diminishes with each  
additional unit consumed)



Price and  
Income

1) Consumers  
want higher  
income and  
lower price.



2) Business  
wants to get as  
much for the  
products it  
makes, while  
paying as little  
as possible for  
production.



However, business needs to have consumers that are able to buy their products.



If wages fall too far, business doesn't make any money. Consumers don't buy.



If wages are too high, then the product of the business costs too much.



## Business



### What is business?

Business takes input and makes output.



### Elements of Business:

1)~Pays for input

(land, labor, plant equipment, raw materials, transportation, etc)



2) ~ Sells the output (good or service)

3) ~ Sells for a higher price than the cost of the input.

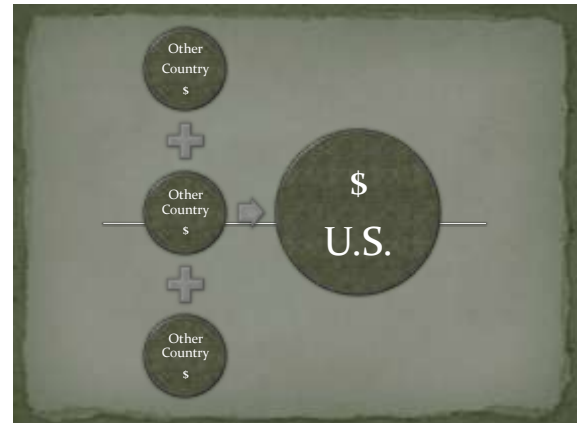
4) ~ Makes profit

What (and why)

Is The Value of the Dollar



The value of the dollar is based on its perceived worth in the rest of the world, and use in the U.S..



The value of the dollar is established through business, and what we can buy from other countries, and what we can buy from business in the U.S..



Other countries do business with us.

When they do business with us we pay them using our money.

They then use the money we paid them to buy things they need.

They buy what they do not produce from other countries. (including ours)

When other countries are able to buy less with their own money than with ours, our money is worth more.

&  
Vice Versa

What causes the dollar to drop in value.

- 1) Confidence
- 2) Foreign Investment

### 1) Confidence

~Do people believe that money is worth something. Money is a belief system.

Do other countries believe in our money as well.

### 2) Foreign Investment

If other countries believe in our ability to produce value they invest. They say these people are good for what they say they'll do.