

# Econ Notes 3



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# *Supply and Demand*



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



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




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Demand is looked at through a schedule:




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

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

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Demand Changes with:

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

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Supply is also looked at through a Schedule:



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



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Supply Changes with:

~Changes in the productive capacity

~Technology

~Production Costs

~Prices of related goods

~Perception of future (Price and Ethic)

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Schedules work to make predictions based on previous information



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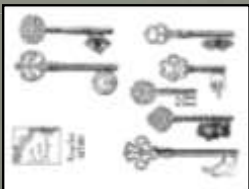
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Key Economic Vocabulary



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



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The market price and  
quantity all move toward  
equilibrium

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Capitalism:

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

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

(Utility diminishes with each additional unit consumed)



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Price and Income

1) Consumers want higher income and lower price.



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



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



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



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

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# Business



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## What is business?



Business takes input and makes output.

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## Elements of Business:

1)~Pays for input

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



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2) ~ Sells the output (good or service)

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

4) ~ Makes profit

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What (and why)

Is The Value of the Dollar



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



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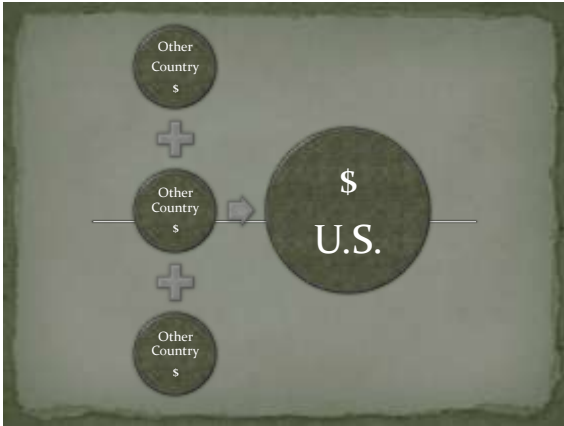
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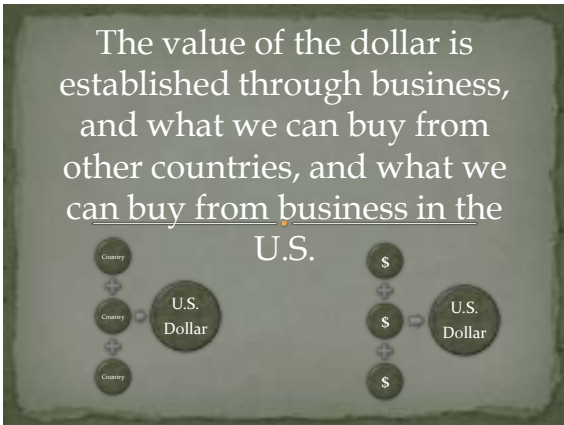
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Other countries do business with us.

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

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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)

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

&  
Vice Versa

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What causes the dollar to drop in value.

- 1) Confidence
- 2) Foreign Investment

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### 1) Confidence

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

Do other countries believe in our money as well.

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### 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.

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