

Econ. Notes 2



Supply and Demand



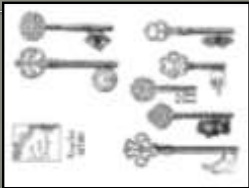
Basically, what you want has to come from people who are kind enough to make it.



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



Key Economic Vocabulary



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





The market price and quantity all move toward equilibrium



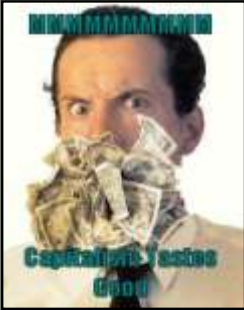
Capitalism:

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.

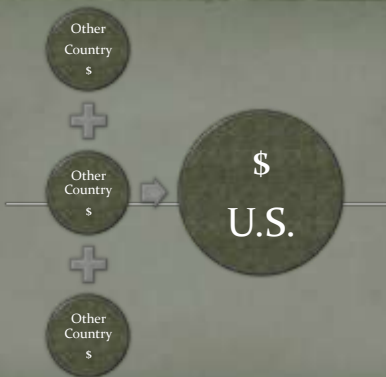
4) ~ Makes profit

What (and why) Is The Value of the Dollar



The value of the dollar is based
it's 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.
