

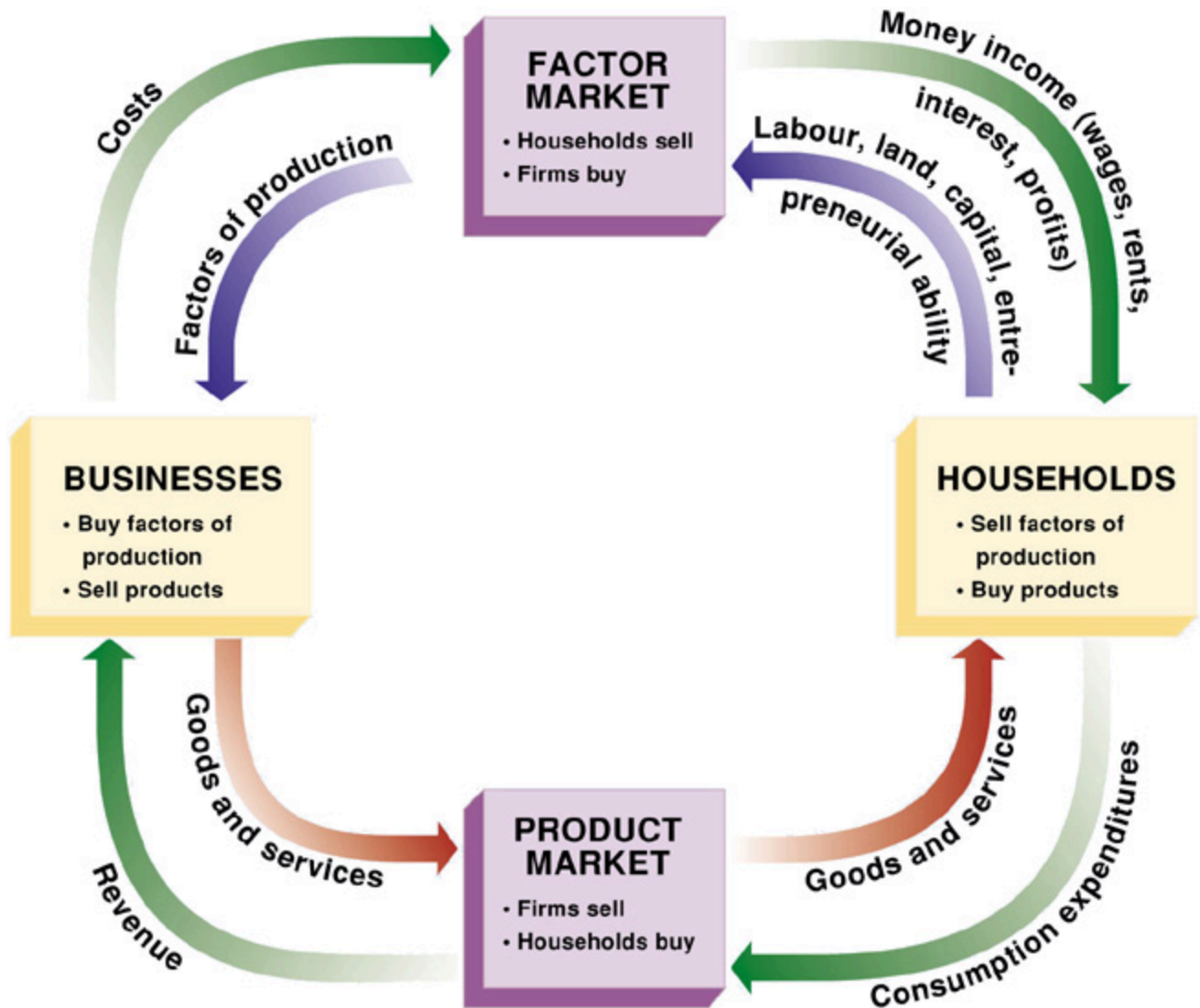
Unit 10 Economics Notes

10-1 Economics 101 (The Basics)

Microeconomics: _____ **Macroeconomics:** _____

What is **economics**? _____
- _____: something a society agrees has a certain value

I. Economics Cycle:



III. How do consumers and producers put a price on goods and services?

- _____ - the amount of a good or service that is available for consumers to buy
- _____ - the amount of a good or service that consumers are willing to buy
- * _____ - where supply and demand meet and price is set

IV. Effects on Price

- _____: demand is greater than supply; effect on price? _____
- _____: supply is greater than demand; effect on price? _____

*The biggest problem an economy faces is _____ (unlimited wants for a limited supply)

10-2 Demand

Law of Demand: as price increases quantity demanded by consumers _____ and as price decreases demand _____; an _____ relationship exists between the _____ and _____ demanded

Chocolate Example: What happens to the quantity of chocolate bars demanded when the price decreases? ____ What direction does the quantity demanded plot point go on the demand curve? _____

*What are **determinants** of demand (what factors affect consumer's willingness to consume goods/services)? _____

Determinants cause a shift in the whole curve in which directions? _____ or _____

Chocolate Example: What happens to the demand for chocolate bars when the price of graham crackers and marshmallows go down? _____, causing the entire demand curve at all price points to shift to the _____. What if chocolate were to be linked to causing acne what would happen to the demand? _____, causing the curve to shift to the _____

10-3 Supply

Law of Supply: as the price increases producers will ____ quantity supplied and as price decreases quantity supplied will ____; a _____ or _____ relationship exists between price of good/service and quantity supplied

Chocolate Example: What happens to the quantity of chocolate bars supplied when price decreases? ____ What direction does the quantity supplied plot point go on the supply curve? _____

*What are **determinants** of supply (what factors affect producer's ability to supply goods/services)? _____

Chocolate Example: What happens to the supply of chocolate bars when the price of cocoa increases? _____, causing the entire supply curve at all price points to shift to the _____. What will happen to the supply of chocolate bars around Valentine's Day? _____, causing the curve to shift to the _____

Equilibrium or Market Price occurs when _____ meets _____ a tug of war between producers (the price they are willing to charge and amount to supply at that price) and consumers (how much they are willing to buy at a certain price)...factored in with the determinants which can cause the entire _____ and _____ curves to shift to the _____ or _____.

10-4 Consumers

I. Economic Choices of Consumers

Fact: _____ forces consumers to make choices about how they will use their resources. So, a consumer must weigh the _____ and _____ of a decision

-trade-off? _____ Ex: _____

-opportunity cost? _____ Ex: _____

II. Consumerism: _____

Pros: _____

Cons: _____

10-5 Businesses and Productivity

I. Types of Businesses

Type of Business	how it operates	advantages	disadvantages
sole proprietorship			

partnership			
corporation			
non-profit			(examples, not disadvantages)

II. _____ -- the degree to which a good or service can be produced in a given time (a measure of input v. output)

-What can increased productivity do for a business? _____

-What can it do for an area (county, state)? _____

-What can it do for a nation's economy? _____

-How does a business become more productive? 1. _____ 2. _____

3. _____ 4. _____ 5. _____

III. Source of Productivity: _____

- _____ - parts that could easily replace damaged parts

- _____ - method of quicker assembly by dividing labor

- _____ -a result of increased productivity

IV. Growing Business

- _____ -the idea that a larger business is more efficient than a smaller one because of its ability to do things in larger volume

*What happens to small businesses? _____

V. Today

-Job market is demanding more math, science, computer/technological skills in recent years because of technology revolution (_____)

-Significance of RTP in NC: _____

10-6 Economic Systems

I. Factors of Production

They type of economic system a nation has depends on how people get the goods/services they need and who owns and controls the four _____:

1. _____ -the money/tools needed to produce goods/services

2. _____ - the raw materials needed to produce goods/services

3. _____ the work/workers required to produce goods/services

4. _____ -the decision maker(s) who organize, manage, assumes the risk

II. Types of Economic Systems **Change the following to:**

a) Traditional:

Who owns/controls the factors of production?

What is the driving force behind economic decisions? and how value is determined:
Economic choices/freedoms?

b) Command:

pros?
cons?
where in the world?

c) Market:

pros?
cons?
where in the world?

d) Mixed:

pros?
cons?
where in the world?

10-7 Business Cycle

I. _____: different measures of how economists can determine where the U.S. is on the _____ (the periodic and cyclical ups and downs of the economy)

1. Stock Prices: a. _____: stock prices increasing b. _____: stock prices decreasing

2. Prices of Goods/Services: measured by the _____ -- survey of many goods and services that are compared to the same goods and services over time to measure the increase or decrease in prices

-economists are look at the rate of _____ (a general increase in the cost of goods and services)

3. Economic Output: measured in _____ -the value of all goods and services produced by a nation in a given year (compared to the rest of the world: GDP _____ (where we divide GDP by a nation's population); nation w/ the highest?

4. _____ Rate: a look at the potential workforce w/out jobs (also, what types of jobs people have: high or low-paying)

5. Others: _____ market, _____, _____ starts

II. Business Cycle Phases

*Draw and label the business cycle below:

A. _____: economy has reached its peak

B. _____: economy is declining after peak activity

- _____: extended contraction period

- _____: real GDP decreases more than 10%

C. _____: economy has reached its lowest point

D. _____: economy is growing

10-8 Government Regulation of Economy

I. Pre-Great Depression

- _____...let the _____ guide business and the economy

*Why did the gov't need to step in and intervene after the Stock Market Crash (which kicked off the Great Depression)? _____

II. Government Interventions (the following two policies are used in various combinations in an effort to direct a country's economic goals)

1. _____ how a government adjusts its levels of _____ and _____ in order to monitor and influence a nation's economy; used at which levels? _____

a. Government Spending

-Government Increases Spending ("_____ " or _____ Economics)
when/why? _____

-Government Decreases Spending
when/why? _____

b. Taxation

-Government Decreases Taxes (_____)
when/why? _____

-Government Increases Taxes
when/why? _____

2. _____ how a _____ influences a nation's money supply

-Regulated through the _____ System (central bank)

*their mission: "keep our money valuable and our financial system healthy."

-money supply can be described as _____ or _____ according to Fed's actions

a. Interest Rates-the Fed controls a basic interest charge that is referred to the
_____ -which they charge banks to borrow \$

-Raising Interest Rates (_____)
when/why? _____

-Lowering Interest Rates (_____)
when/why? _____

b. _____ -the amounts of money the gov't requires banks
to keep as deposits in Fed Reserve banks

-Raising Reserve Requirements (_____)
when/why? _____

-Lowering Reserve Requirements (_____)
when/why? _____

c. Open Market Operations-the buying and selling of _____ (bonds) by the Fed to
banks

-Government SELLS Bonds to Consumers (_____)

-Government BUYS Bonds back from Consumers (_____)

10-9 Government Involvement in Business

I. A Brief History

A. Nation's Beginnings (1700s): _____ -idea that the government will
stay out of _____ the interests of people and businesses; founding fathers appreciated
_____ which emphasized as little gov't involvement as possible

B. Age of Industrialization (mid-late 1800s): competitive business techniques used by a few
men who became very successful, taking control of entire industries (vertical and horizontal
integration) lead to **monopolies**; Famous names: _____

C. Regulating Big Business (early 1900s)

* _____: business which controls the supply (and eventually prices) of a
particular product

- _____: 2 or more businesses join together to form one business

- _____: several businesses join together to make decisions as one

*after Progressive Mov't Congress began to pass laws making these activities illegal

-1890: _____

-1914: _____

*big business is now regulated by the _____

II. Various Market Structures

Characteristics of Market Structures						
	Number of Firms in Industry	Influence Over Price	Product Differentiation	Advertising	Entry Into Market	Examples
Perfect Competition						A
Monopolistic Competition				E		W
Oligopoly			F d c	E		
Pure Monopoly					I	

III. Government Cooperation with Big Business

-Government also tries to help business interests; Ex: _____: assistance and tax breaks

10-10 Gov't, Business and Labor

Q: How were workers treated by their employers during the rise of big business?

Q: What did people do to change that treatment?

Q: What did labor unions help accomplish?

Labor Union: _____

-Their goals? _____

-Techniques used:- _____

-Employers Responses: _____

***Gov't as Mediator:** _____: an independent agency charged w/ conducting elections for labor union representation and w/ investigating and remedying unfair labor -allowed certain union activities and banned others

*unions not as strong as they once were; why? _____

10-11 Income and Revenue

A. Types of Taxes

1. _____: The more you make the higher percentage you pay in taxes; Example: _____

2. _____: tax that takes a larger percentage from low-income people than from high-income people; Example: _____

3. _____: applies the same tax rate to all taxpayers; Example: _____

B. Sources of Revenue and Expenditures

1. Federal:

-3 Biggest Sources of Revenue:

-3 Biggest Expenditures:

2. State:

-2 Biggest Sources of Revenue:

-2

Biggest Expenditures:

3. Local:

-2

Biggest Sources of Revenue:

-2

Biggest Expenditures:

10-12 The US and the World: Interdependence, Globalization, Protectionism

I. _____: relying on other parties for goods/services

* _____ has caused the world to become more globalized

- _____ is a process of interaction and integration among the people, companies, and governments of different nations, a process driven by _____ and _____ and aided by information _____

-International trade: Good or bad?

II. _____

- Which countries will benefit from international trade the most?

typically the ones with more resources, a better economic infrastructure, a stable government, abundant skilled and unskilled labor

*the goal is to gain a _____ (to export more than import)

III. Government Policies on Trade

- _____: the theory or practice of shielding a country's domestic industries from foreign competition by taxing imports
- Methods of Protectionism:
 - _____: tax on imports
 - _____: limits the quantity of specific products that can be imported into a country for a specific time
 - _____: \$ given by a gov't to a business to help with development
 - tax breaks
 - anti-dumping taxes

IV. Advantages/Disadvantages of Protectionism

- Advantages:

-adds to country's economic growth

-creates _____

-increases overall _____

-leads to a better _____

- Disadvantages:

-not good for goods it is lacking in

-countries may retaliate with increased trade barriers against _____ from a country

- Other Methods:

-enter into a _____ with other countries

-participate in a _____ area; example: _____

-join a customs union

-participate in a common market or economic union; Example: _____

*countries participating in trade must abide by _____ regulations

Other Trade Barriers

- _____ are domestic penalties applied by one country (or group of countries) on another country (or group of countries). Economic sanctions may include various forms of trade barriers and restrictions on financial transactions
- _____: an official ban on trade or other commercial activity with a particular country