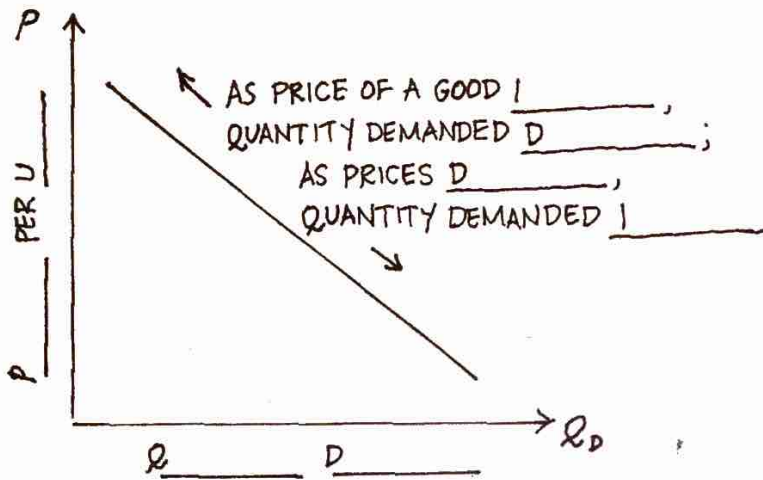


§ 8.2 - DEMAND

DEMAND CURVE



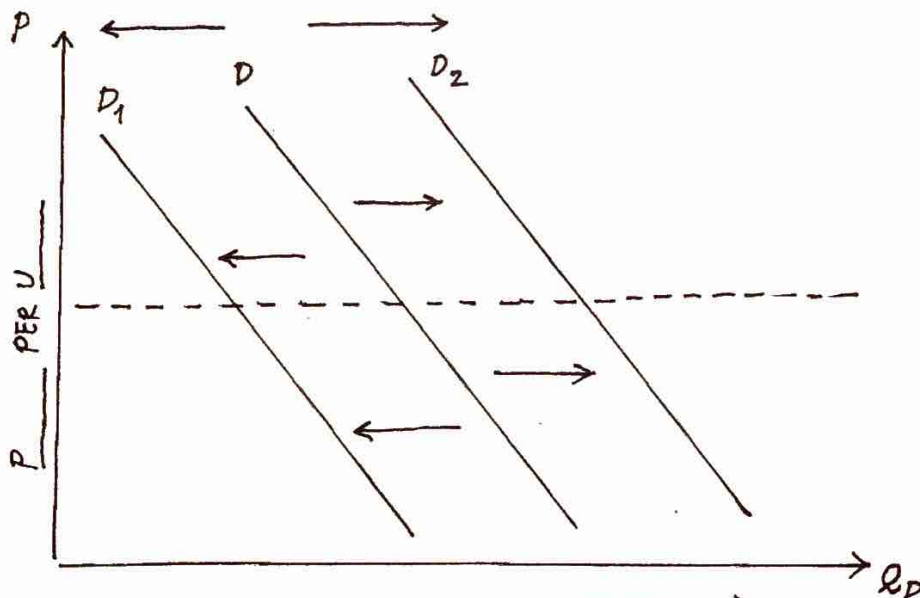
DEMAND SCHEDULE (EXAMPLE)

PRICE PER UNIT (P)	QUANTITY DEMANDED (Q _D)
\$30	100
\$27	200
\$24	300
\$21	400
\$18	500
\$15	600

* WHAT IS THE MARKET DEMAND WHEN PRICES ARE AT \$21 PER UNIT?

* WHAT HAPPENS TO QUANTITY DEMANDED AS PRICES INCREASE?

CHANGES IN DEMAND



← D IN DEMAND CAUSES CURVE TO SHIFT TO THE L

→ I IN DEMAND CAUSES CURVE TO SHIFT TO THE R

CAUSES:

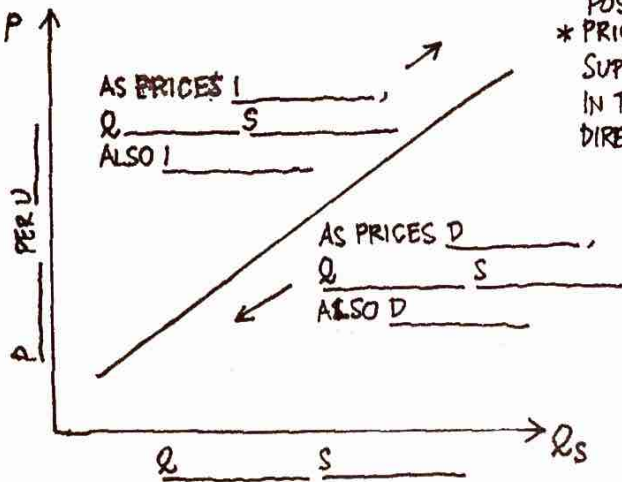
- (1) POPULATION I
- (2) INCOMES I
- (3) WHEN A PRODUCT BECOMES P
- (4) CONSUMERS W ABOUT E
- (5) CONSUMERS WORRIED ABOUT S OF A PRODUCT

CAUSES:

- (1) POPULATION D
- (2) INCOMES D
- (3) WHEN PRODUCT F IN POPULARITY
- (4) S (TOO LITTLE SUPPLY, SO CONSUMERS STOCK-UP)
- (5) CONSUMERS LIKE A B BETTER THAN ANOTHER

§8.3 - SUPPLY

SUPPLY CURVE



* SUPPLY CURVE HAS AN U OR POSITIVE SLOPE
 * PRICES & QUANTITY SUPPLIED CHANGE IN THE S DIRECTION

SUPPLY SCHEDULE

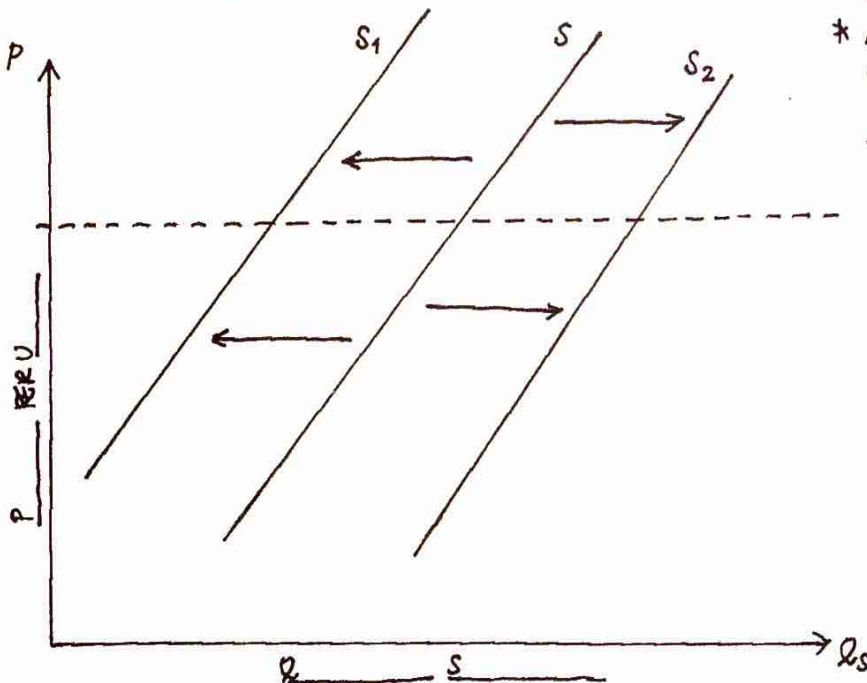
PRICE PER UNIT (P)	QUANTITY SUPPLIED (Qs)
100	20
150	25
200	30
250	35
300	40
400	45

* WHAT HAPPENS WITH QUANTITY SUPPLIED AS PRICES INCREASE?

* WHAT IS THE QUANTITY SUPPLIED AT A PRICE OF \$250 PER UNIT?

* AT WHAT PRICE ARE PRODUCERS WILLING TO SUPPLY 25 UNITS?

CHANGES IN SUPPLY



$S \rightarrow S_1$
 ↓ IN S CAUSES SUPPLY CURVE TO SHIFT L

$S \rightarrow S_2$
 ↑ IN SUPPLY CAUSES SUPPLY CURVE TO SHIFT R

CAUSES:

CAUSES:

(1) COSTS OF R ↑ FOR PRODUCERS/SUPPLIERS

(1) COSTS OF R ↓ FOR PRODUCERS/SUPPLIERS

(2) D ↓ IN WORKER PRODUCTIVITY

(2) I ↑ IN WORKER PRODUCTIVITY

(3) NEW GOVT POLICIES OR R CAUSE PRODUCTION COSTS TO ↑

(3) NEW T CAUSES PRODUCTION COSTS TO ↓

(4) T ↓ CAUSE PRODUCTION COSTS TO ↓

(4) S ↑ TO INDIVIDUALS & BUSINESSES CAUSE PRODUCTION COSTS TO ↑

(5) IF SUPPLIERS EXPECT CONSUMER DEMAND TO ↓ IN THE FUTURE

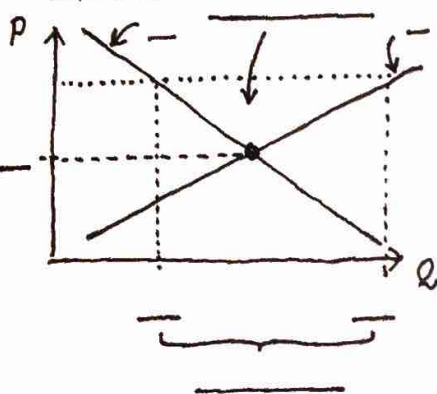
(5) IF SUPPLIERS EXPECT CONSUMER DEMAND TO ↑ IN THE FUTURE

UNIT #8 - CIVICS & ECONOMICS

§8.4 - DEMAND & SUPPLY AT WORK

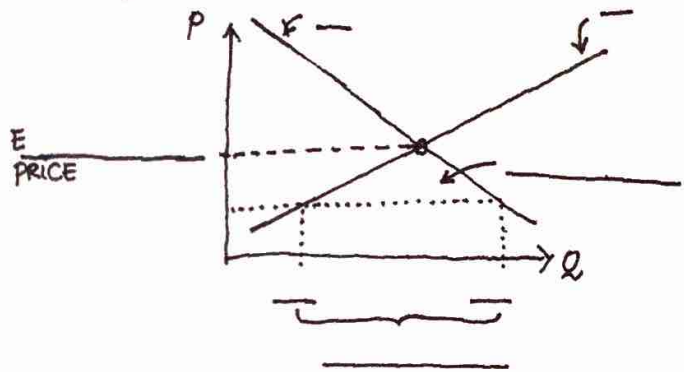
SURPLUS

- * $Q_S > Q_D$
- * Q_S _____ Q_D _____ EXCEEDS
- * USUALLY SIGNALS THAT PRICES ARE TOO _____
- * PRICES WILL (RISE / FALL) TO THE _____ P _____ FOR THE PRODUCT
- * LABEL THE GRAPH TO ILLUSTRATE A SURPLUS



SHORTAGES

- * $Q_D > Q_S$
- * Q_D _____ Q_S _____ EXCEEDS
- * USUALLY SIGNALS THAT PRICES ARE TOO _____
- * PRICES WILL (RISE / FALL) TO THE _____ P _____ FOR THE PRODUCT
- * LABEL THE GRAPH TO ILLUSTRATE A SHORTAGE



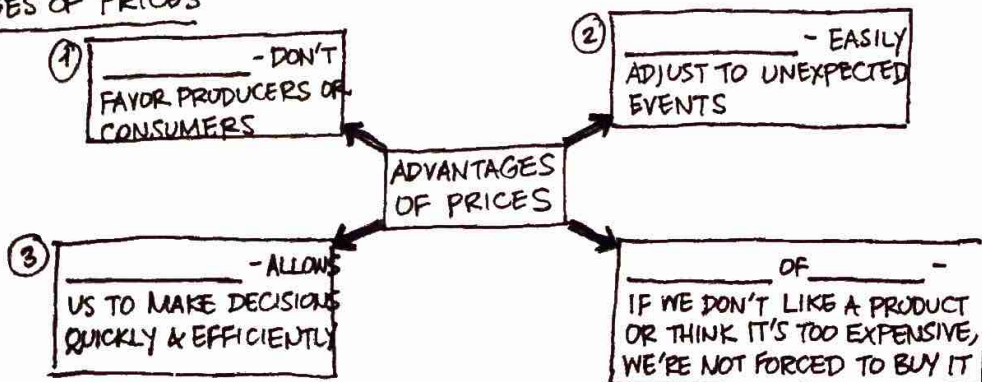
PRICE FLOORS

- * GOVT SETS A M _____ PRICE
- * THIS PRICE IS USUALLY (ABOVE / BELOW) THE EQUILIBRIUM PRICE
- * MAY RESULT IN (SURPLUS / SHORTAGE)
- * USUALLY BENEFITS (PRODUCERS / CONSUMERS)
- * EX.: M _____ W _____, SETS PRICE FLOOR AT OR ABOVE WHICH EMPLOYERS MUST PAY EMPLOYEES WHO SELL THEIR LABOR

PRICE CEILINGS

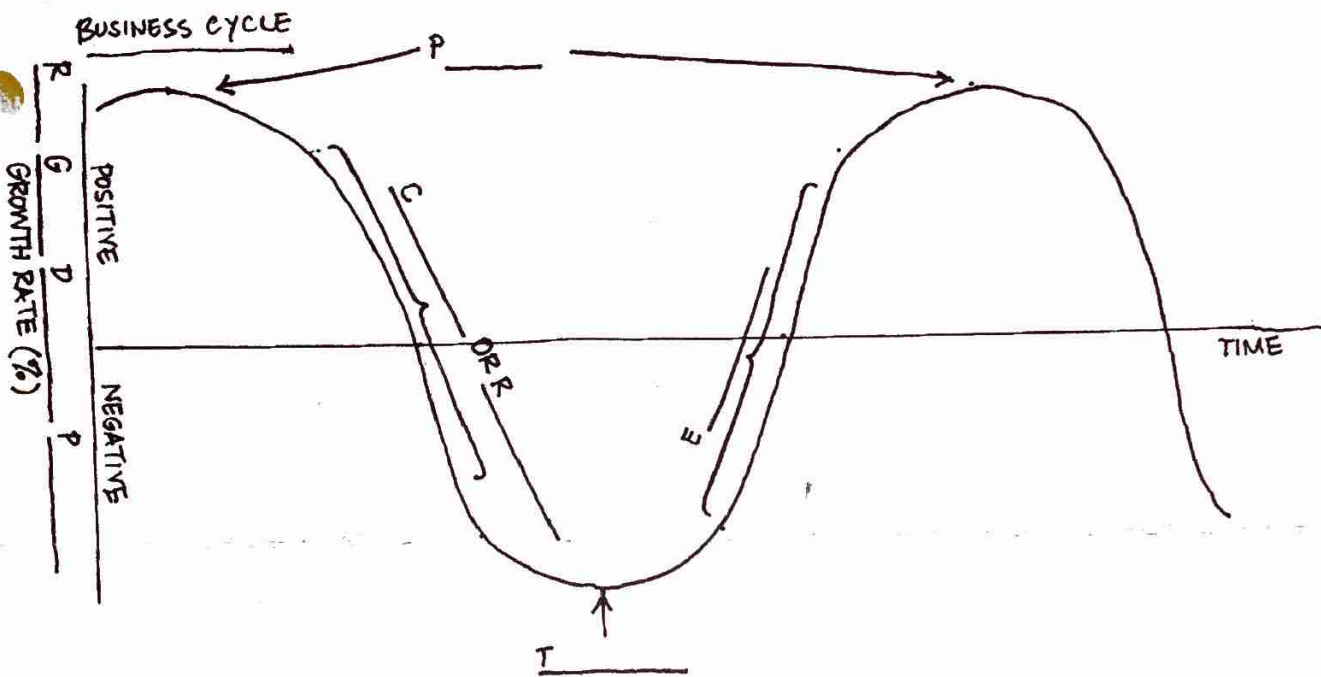
- * GOVT SETS A M _____ PRICE
- * THIS PRICE IS USUALLY (ABOVE / BELOW) THE EQUILIBRIUM PRICE
- * MAY RESULT IN (SURPLUS / SHORTAGE)
- * USUALLY BENEFITS (PRODUCERS / CONSUMERS)
- * EX.: R _____ C _____, SETS PRICE CEILING AT OR BELOW WHICH LANDLORDS ARE ALLOWED TO CHARGE TENANTS

ADVANTAGES OF PRICES



UNIT #8 - CIVICS & ECONOMICS

§8.5 - BUSINESS CYCLE & ECONOMIC INDICATIONS

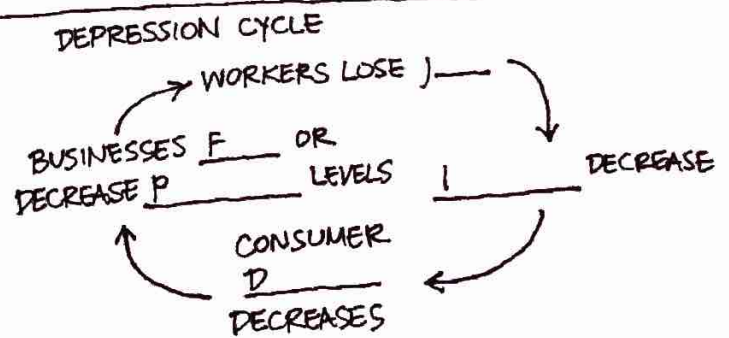


IDENTIFY WHETHER THE FOLLOWING HAPPENS DURING AN EXPANSION OR CONTRACTION

- _____ (1) UNEMPLOYMENT INCREASES
- _____ (2) INCOMES RISE
- _____ (3) PRICES RISE AS BUSINESSES INCREASE PRODUCTION
- _____ (4) INCOMES DECREASE
- _____ (5) CONSUMER DEMAND RISES
- _____ (6) REAL GDP INCREASES
- _____ (7) PEOPLE CAN QUICKLY FIND JOBS
- _____ (8) REAL GDP DECREASES
- _____ (9) CONSUMER DEMAND FALLS
- _____ (10) BUSINESSES FAIL OR SCALE DOWN PRODUCTION
- _____ (11) BUSINESSES TRY TO GET RID OF SURPLUS PRODUCTS, RESULTING IN PRICE DECREASES
- _____ (12) NEW BUSINESSES OPEN

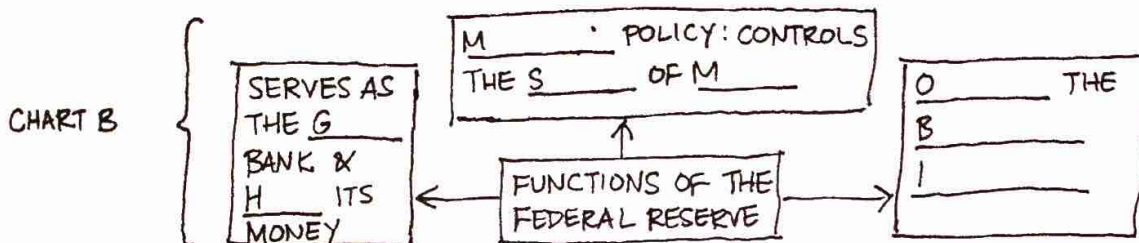
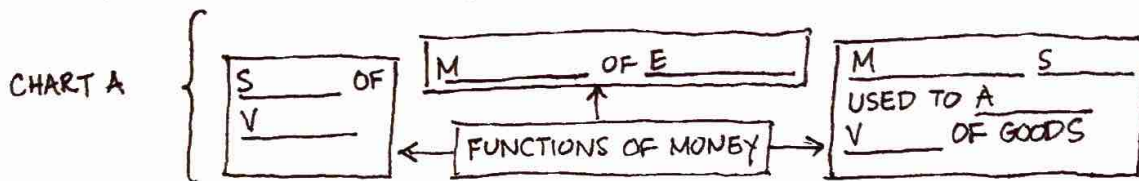
GOVT USES F _____ POLICY TO
 STIMULATE E _____

BY:
 *C _____ T _____
 *I _____ S _____



UNIT #8 - CIVICS & ECONOMICS

§8.6 - MONEY & MONETARY POLICY



F I : CONSUMERS & BUSINESS ::
 F R S : FINANCIAL INSTITUTIONS

MONETARY POLICY

- * TO STIMULATE ECONOMIC GROWTH → (INCREASE OR DECREASE) MONEY SUPPLY → (INCREASE OR DECREASE) INTEREST RATES
- * TO SLOW DOWN ECONOMIC GROWTH → (INCREASE OR DECREASE) MONEY SUPPLY → (INCREASE OR DECREASE) INTEREST RATES
- * STIMULATE ECONOMIC GROWTH DURING C OR R OF THE BUSINESS CYCLE (TO I CONSUMER D & BOOST P LEVELS AMONG BUSINESSES/SUPPLIERS)
- * SLOW DOWN ECONOMIC GROWTH DURING E OF THE BUSINESS CYCLE (TO GUARD AGAINST TOO MUCH I, OR PRICE INCREASES)

TOOL	TO STIMULATE ECONOMIC GROWTH	TO SLOW DOWN ECONOMIC GROWTH	↑ INCREASE ↓ DECREASE
1 { DISCOUNT RATE (RATE AT WHICH FINANCIAL INSTITUTIONS BORROW FUNDS FROM THE FEDERAL RESERVE)	<input type="checkbox"/>	<input type="checkbox"/>	<div style="border: 1px solid black; padding: 5px; text-align: center;">↑ INCREASE ↓ DECREASE</div> <div style="text-align: center;">↙</div> <div style="text-align: center;">↘</div>
2 { RESERVE REQUIREMENT (% OF FUNDS FINANCIAL INSTITUTIONS ARE REQUIRED TO KEEP IN FED BANKS)	<input type="checkbox"/>	<input type="checkbox"/>	
3 { OPEN-MARKET OPERATIONS (FED PURCHASES OR SELLS GOVT BONDS & TREASURY BILLS)	BUY OR SELL	BUY OR SELL	