Economics Study Notes: Set 2

* There are two “laws” that form a market economy. They deal with the price that is charged for a good and service and the amount that is produced and purchased of it.
  + **The Law of Supply:** deals with the decisions of producers, who create the supply of goods and services for consumers to buy.
  + **The Law of Demand**: based on the decisions of consumers. People buy more of something is the price is lower.
* **Demand** refers to how much of a good or service consumers are willing to buy at a certain price.
* **Supply**: how much of something being produced.
* As the price of any increases, the suppply that producers are willing to make and sell increases. However, the number of items that buyers are willing to buy, which is the demand, decreases.
* The price at which the quantity demanded by consumers equals the quantity supplied by producers is known as the equilibrium price. If the price ofa good is higher than the equilibrium price, the supply is greater than the goods quantity demanded. Producers will have to lower prices or they won’t sell everything. And vice versus.
* All of this can lead to competition, making other companies try to produce similar goods to make a profit.
* Producers use inputs (which are productive resources) to make outputs (which are goods and services).
* FACTORS THAT CAUSE CHANGES IN SUPPLY AND DEMAND
  + New competition
  + Changes in the amount of money consumers have to spend
  + Changes in the tastes, preferences, and attitudes of consumers
  + Changes in costs of production
  + Changes in the price of goods and services
  + Changing expectations for the future