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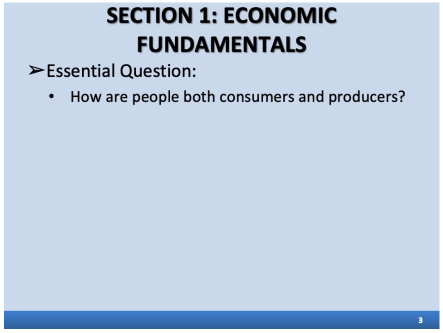

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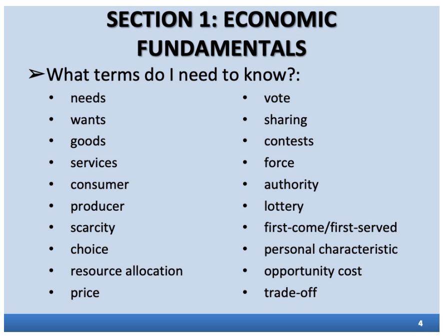

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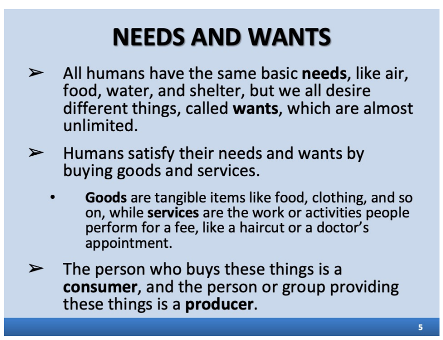

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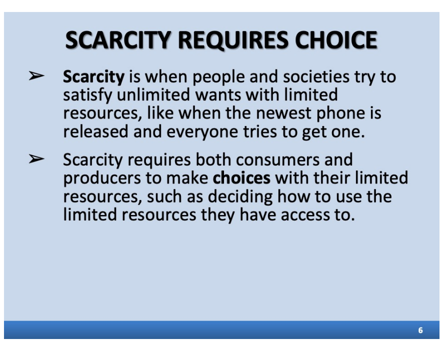

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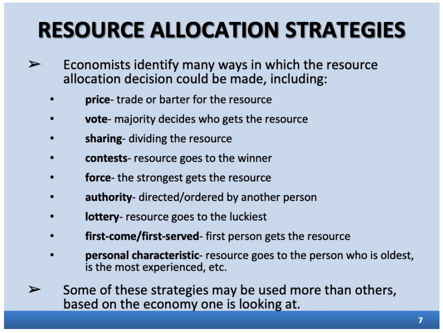

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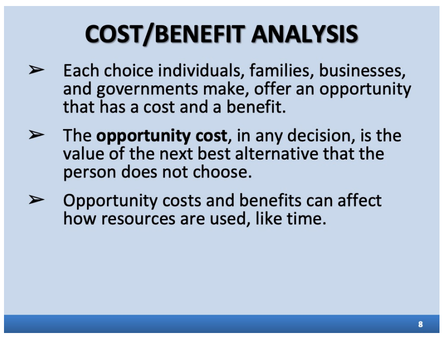

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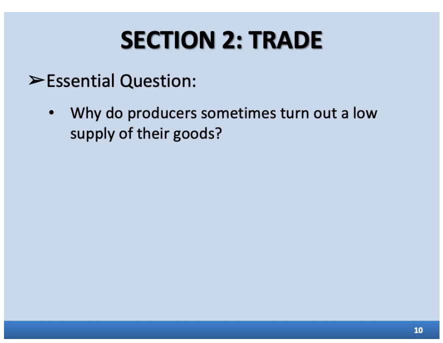

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SECTION 2: TRADE

➢ What terms do I need to know?:

- supply
- profit
- demand
- specialization
- trade
- exports
- imports
- tariff
- quota
- embargo
- subsidy
- standards
- currency
- exchange rate

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SUPPLY AND DEMAND

➢ **Supply** is the quantity of a good or service available for sale, which can affect both purchasing decisions and prices.
  - Typically, when the supply of something is high, the price is low.

➢ A producer's goal is to fell goods and services for more than it costs to produce them.
  - **Profit** is the difference between cost of production and selling price of a good or service.

➢ **Demand** describes the quantity of a good or service consumers are willing to buy.
  - Demand is based on a buyer (1) wanting something, (2) having the ability to pay for it, and (3) be willing to pay attention to price.

➢ While separate concepts, considering supply and demand together helps us understand when people are willing to buy certain items and why.

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SPECIALIZATION AND TRADE

➢ **Specialization** can help a country become economically successful.
  - By focusing on making only a few products based on their resources, they can maximize profit from trade.

➢ **Trade** is the voluntary exchange of goods and services among people and countries.

➢ When trade is voluntary and non-fraudulent, both parties benefit and are better off after trading than they were before.

➢ Goods sent to other countries for trade are **exports**, and goods brought into a country for trade from other countries are called **imports**.

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BARRIERS TO TRADE

➢ Some say too much trade with other countries causes domestic workers to lose jobs, so countries sometimes will limit trade by creating trade barriers.

➢ The most common are tariffs and quotas.
  - A **tariff** is a tax on imports coming into the country.
  - A **quota** is a specific limit placed on the number of imports that may enter a country.

➢ Another trade barrier is an **embargo**, or a government order stopping trade with another country.
  - Sometimes, this is used to put pressure on another country.

➢ A **subsidy** is another trade barrier, where the government of a country gives money to certain businesses so they can continue to compete with imported goods.

➢ The final trade barrier is a **standard**, when the government sets limits and rules regarding imports and domestic goods.

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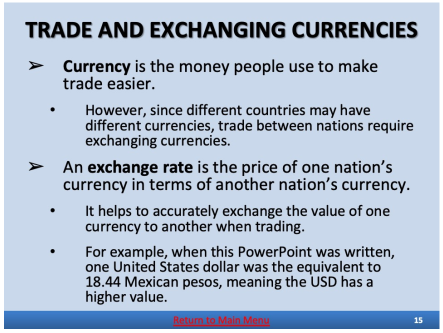

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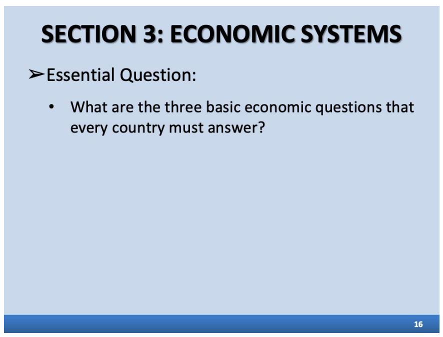

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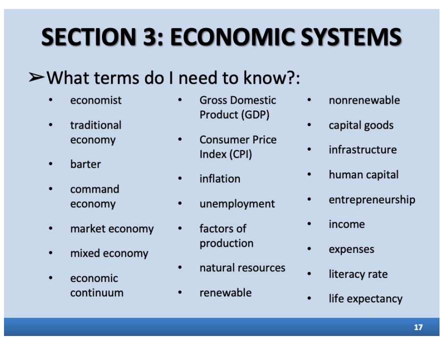

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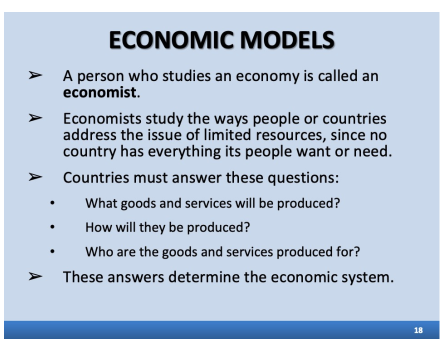

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Traditional Economy

- **Traditional economies** are defined as:
  - Heavily dependent on agriculture.
  - People tending to **barter** (trade items of value rather than money).
  - Economic decisions are often based on long-held customs.
- In this system, each member of society at an early age knows what their role in the larger group will be since jobs are inherited.
- People are dependent upon each other to fulfill their roles, because the alternative is the breaking-down of the system.

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Command Economy

- In **command economies**, government planning groups make the basic economic decisions, determining what to produce, the prices, and wage rates.
  - Businesses and farms are generally owned by the government, who give the workers production goals to reach in order to provide the proper amount of goods for the country.
- One problem with this economy occurs when the government attempts to predict what people will need but ends up overlooking another portion of the economy.
- A benefit of this economy is that prices are controlled and people know how much things will cost. Common needs, like food and shelter, have lower costs than luxuries, like televisions and computers, which are priced higher.

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Market Economy

- In **market economies**, economic decisions are made at an individual level, with producers answering economic questions based on their beliefs of how consumers will respond to goods.
  - Businesses and farms decide what they want to produce individually in order to make a profit.
- A benefit of this economy is that consumers have an easy time finding what goods they want, and they are free to earn as much money as they'd like in order to buy the goods and services they want.
- A problem is that, if a business doesn't manage its money well, it can go out of business and cause workers to lose their jobs and income.

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All Economies are Mixed

- No countries today have any pure market system, instead blending characteristics of the three.
  - These hybrids are called **mixed economies**.
  - That said, most economies tend to lean more towards one system than the others.
- Most societies have rules protecting consumers, workers, and businesses.
- To see where a country falls, between command and market economies, we use the **economic continuum**, where 0 represents a pure command economy and 100 represents a pure market economy.

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MEASURING THE ECONOMY

- A major economic indicator economists use is the **Gross Domestic Product (GDP)**, which measures the total value of goods and services produced within a country in one year.
- The GDP per capita, or per person, is best used when comparing two countries' economies.
  - For example, India's GDP was about $3.417 trillion while South Korea's was about $1.674 trillion in 2022, but the GDP per capita of India was about $7,100 while South Korea's was about $45,000.

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MEASURING THE ECONOMY, Pt. 2

- The **Consumer Price Index (CPI)** measures prices monthly in a country. When it shows prices are rising steadily, this indicates **inflation** (a continual increase in the price of goods and services).
  - If wages do not increase at a level to keep up with inflation, a consumer's spending power decreases.
- An **unemployed** person is someone without a job but has been actively looking for one, and the unemployment rate tracks the number of unemployed people in a country.
  - A low supply of jobs means workers are willing to accept lower wages for a job, but low unemployment means businesses have to offer higher wages to attract employees.

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FACTORS OF PRODUCTION

- **Factors of production** are the resources of a society needed to produce a good or service.
  - Factors of production are natural resources, capital goods, human resources, and entrepreneurship.
- **Natural resources** are products of the Earth and its atmosphere that are useful to humans.
  - These resources can be **renewable**, or things that can replenish themselves over time like plants and animals, and **nonrenewable**, or or things that are not replenishable like mineral resources.
- **Capital goods** are the tools used in the production of goods and services, like textile mills, furniture factories, and even **infrastructure** (basic structures and buildings a country needs to function).

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FACTORS OF PRODUCTION, Pt. 2

- **Human resources** describe the people who produce goods or services by transforming natural resources through effort and activity.
- **Entrepreneurship** occurs when people start their own businesses, risking money and time in hopes for a successful business.
  - To be successful, a business must earn a profit, which is the **expenses** of resources subtracted from the **income** of selling their goods or services.

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