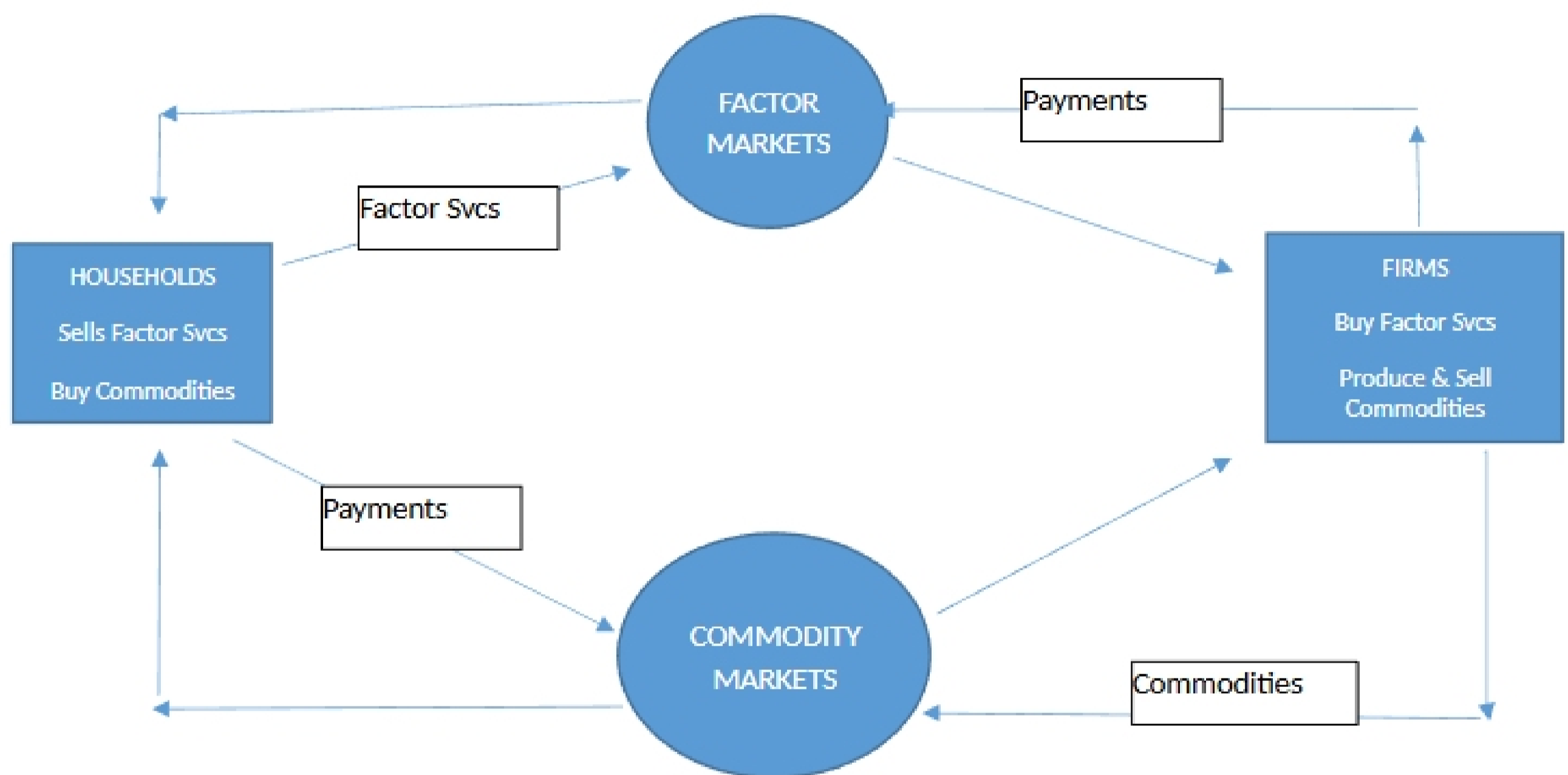


2. August 21, 2014

## Econ 101- Turchi

- What does an economy system need to do to be successful
  - Has to ask and answer 3 Questions (Coordination Tasks)
    - "What needs to be produced?"
    - "How will these things be produced?"
    - "How much should be distributed to each member of the economy?"
      - Who gets what, and how is that determined
  - Three major actors
    - Households
      - More than just demanders of goods and services
      - Can also be suppliers, workers, offer land, have capital
      - Thought of as a single person in the course
        - Can be a mistake one getting higher up
      - Makes 2 Decisions
        - How to spend money
          - What to buy
          - How much to buy
        - How to sell/rent the resources that the household has
          - Labor
          - Can own the land or the capital
    - Business firms
      - Makes the decision about what gets produced, how much, and in which ways (how)
      - Businesses will act to maximize profits
        - Not always about \$\$
      - Turns inputs into outputs
      - What other goals could there be??
    - Central Authorities/ governments
      - All types and levels
        - Federal, State, Local, city, water basin
      - Not always cooperative with other governments
        - Federal Reserve fights with Congress
  - **Market**- An area over which buyers and seller debate over the sale of goods and services
    - Online marketplaces- everywhere and nowhere
    - Black markets- all over, not just one location
    - International market for foreign exchange
      - Place for money to be exchanged between currencies
  - Product Market
    - The goods will be used by the customer, not resold
  - Factor Market
    - Market for factors of production
      - Inputs
      - Labor

- Steel
- Lumber
- Electricity
- A product can be a good for one consumer, and a factor for another
- **Market Economy**- An economy that contains many markets
  - Opposite is Command Economy
- **Command Economy**- The central authority answers the 3 questions, not private businesses
- **Free Market Economy**- bulk of decision are made by actors in the market themselves
- **Capitalist Economy**- The means of production are owned by the private sector, not a central authority
- **Capital**- The produced means of production



- Opportunity cost of college
  - Imputed costs
    - Party Time
    - Lost Wages
  - Direct Costs
    - Tuition
    - Extra cost of Room and Board
    - Books-supplies
    - Fees
    - Cost of travel to school
- Production Possibilities Frontier (PPF)

