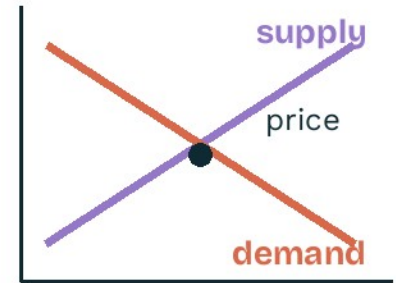


Economics: Supply and Demand

How people choose when resources are limited

WHAT IS IT?

Economics studies how people, businesses and countries decide what to make, buy and sell when resources are limited. Its simplest tool is supply and demand: prices tend to settle where what buyers want matches what sellers offer.



THE BIG IDEAS

- 1 Resources are limited, so every choice has a cost: what you give up.
- 2 When a price rises, buyers usually want less and sellers want to sell more.
- 3 In a simple market, the price tends to settle where the quantity supplied equals the quantity demanded.
- 4 Incentives matter: people respond to rewards and costs.

YOU SEE IT WHEN ...

Why concert tickets or fruit prices change

Saving, borrowing and interest

Choosing how to spend your time and money

WORDS YOU WILL MEET

Scarcity

not enough for everyone to have everything

Opportunity cost

the next best thing you give up

Supply

how much sellers are willing to sell at each price

Demand

how much buyers are willing and able to buy at each price

Inflation

a general rise in prices, so money buys less over time

Interest

the cost of borrowing, or the reward for saving

GOOD TO KNOW FIRST

Percentages, graphs and basic algebra.

IN YOUR COURSE YOU WILL ...

- Supply and demand graphs
- Money, interest and inflation
- How businesses decide what to charge
- How a whole economy grows

Start tip: Ask 'what is the trade-off?' about every choice you study.