

The following notes are **not** fully completed, since I originally started off with taking notes in a journal.
(was waiting on a amazon delivery for my laptop. 🙄)

Next time, expect the module notes to be more fleshed out!

I recommend going over the powerpoints from module 1-3 for your own personal notes!

09/02 tuesday

Class started by going over exit problems from last week. Discussing the line/curve and types of relationships. Went over the slope, and what a positive/negative slope means for an economic graph. As well as how to work out percentage change.

Power point started back with;

Production possibilities frontier- went over the parts of the ppf that were efficient vs inefficient. (spoiler, efficient = on the line, inefficient equal within the graph, and *impossible** lies beyond the curve.) ((Only *impossible** unless the country trades! They can gain beyond their PPF through trade!!!))

Then the lecture went over, specialization and trade.

Specialization and trade- people can produce several goods or can produce just one good (the specialization) and trade x of that good for goods produced by others.

Why do people or countries trade?

Trade allows a country to consume goods or services which exceed their production possibilities curve. (Pareto improvement is a change to an allocation of resources that makes at least one person better off without making anyone else worse off.)

Theory of specialization and competitive advantage states that regardless of a nation's size, ANY country would benefit from trade with said nation.

S&T is NOT a zero sum game. (zero sum = one wins and the other loses)

S&T IS a win-win situation!

Old England - mercantilism, believing that resources were a zero sum game, and that trade would not benefit them to the extent they could benefit from outright conquest.

Countries should however only produce goods and services in which they have a **Comparative Advantage**

Comparative advantage boils down to trade good.

CC- Produce goods in which they have a lower opportunity costs.

Absolute Advantage - situation where one person/country is more productive than another person/country in one, several, or even all activities. (America does not have an absolute advantage in durians. Indonesia does however. It's a matter of climate issues.) USA has a **AA** in farming, Hollywood entertainment, Ai, defense products and airplane manufactures.

Specialization and Trade

5 Step Process

- 1. Work Out both Opportunity Costs
(Always put in terms of Second Column good)
- 2. Who has the Comparative Advantage in what? (Lowest Opportunity Cost)
They Completely Specialize in that good
- 3. Work Out fair Trading Ratio
(Mid value between Opportunity Costs)
 - 4. Work Out Trade
- 5. Work Out Final Levels

Pg. 16, module 2 full class powerpoint. (well, one of those powerpoints) has tables and examples over opp cost, **CA**, **AA**, and the **Trading Ratio**.

South Korea and Argentina were used as examples.

Comparative advantage- SK, 90 dvds, ARG, 30 beef. Ratio equals 5 dvds ; 1 beef.
(need to either ask ai or look at more examples cause i dont remember how to get the ratio) on the table sk makes 6:1 dvds and beef ag marks 4:1.

Definitions/ explanations

Change in the price of a good=change in the quantity demanded

Change in number of buyers, consumer taste, price of related goods, or consumer expectations
= change in demand.

Demand curve shifts right- increase

Demand curve shifts left- decrease

Change in quantity demanded- when price changes. (change along the curve)

Change in demand, period. (shifts the curve!)

Substitute goods prices directly affect the demand in one another. If dr pepper went up in price, coke or dr.pibb would go up in demand

Demand curve - shows quantities of a good that people are willing and able to buy at different prices.

The law of demand- a principle in economics which states that the price of a good, service, or resources rises, the quantity demanded will decrease, and vice versa, all else held constant.

Inferior good- goods whose demand decreases as a consumer's income increases. Ex: rice, dr pepper, non name brand items, shopping at walmart, etc. **Inverse relationship**

Normal Good- a good for which there is a direct relationship between the demand for the good and income. Ex: gas, airline travel!

Diminishing marginal utility- as people consume more of a good during a fixed period of time, the satisfaction from each extra portion decreases. (think of the pizza example)

Substitute goods- Goods, services, or resources that are viewed as replacements for one or another. ex; gasoline, regular gas vs the more expensive premium gas. (id rather get the cheaper version too) Coke, pepsi, pibb, dr pepper. Gatorade or powerade

Complement goods- goods, services or resources that are used or consumed with one another. Example, pb and j, ice cream and chocolate syrup,

Pareto improvement-

Specialization-

Absolute advantage-

Comparative advantage-

09/11/25 (thursday)

Changes in Demand or Supply on
Market Equilibrium, chart from module 3 class power point. Pg 122

Changes in Demand or Supply on Market Equilibrium

Change	Equilibrium Price	Equilibrium Quantity
Demand Increases	Increases	Increases
Demand Decreases	Decreases	Decreases
Supply Increases	Decreases	Increases
Supply Decreases	Increases	Decreases

LAW OF DEMAND; states that as the Price of a good, service, or resource rises, the Quantity supplied will **decrease**, and vice versa

LAW OF SUPPLY; states that as the Price of a good, service, or resource rises, the Quantity supplied will **increase**, and vice versa

Shortages increase prices, whereas surpluses lead to a drop in prices.