

Notes on Consumption:

Consumption actually includes purchase of all final goods & services during a period of time.

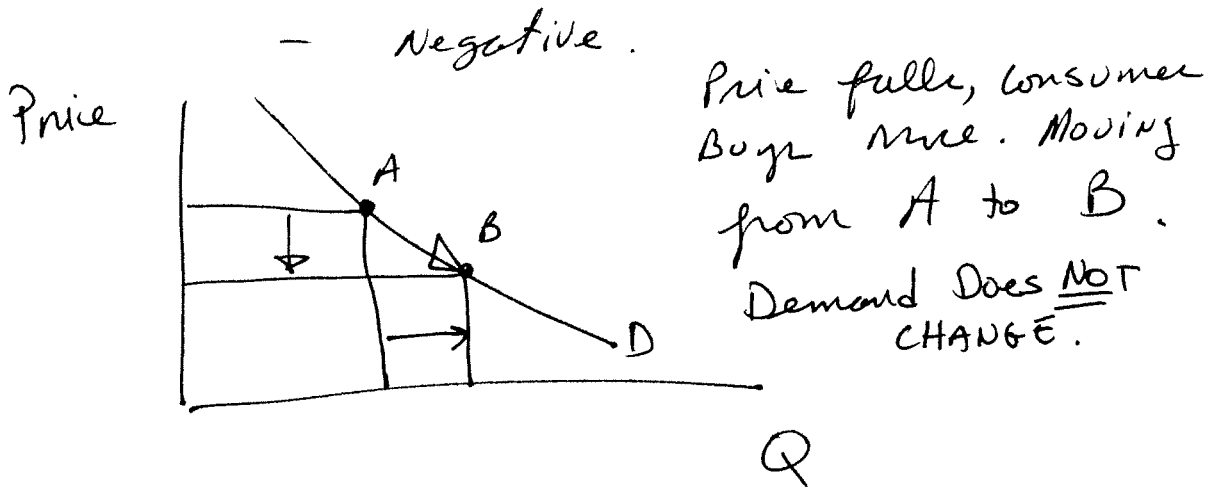
- Domestically produced as well as those from abroad.

The Net Export Component SUBTRACTS out all of consumption (~~consumption~~ and G & I) ~~from~~ of Imported goods.

$$\begin{array}{r} \text{Iphone} - + \$600 \text{ Consumption} \\ - 200 \text{ Imports} \\ \hline \$400 \text{ (Net)} \end{array}$$

Supply & Demand

Demand - relationship between price of a good and the ~~the~~ quantity of the good that people are willing to buy.

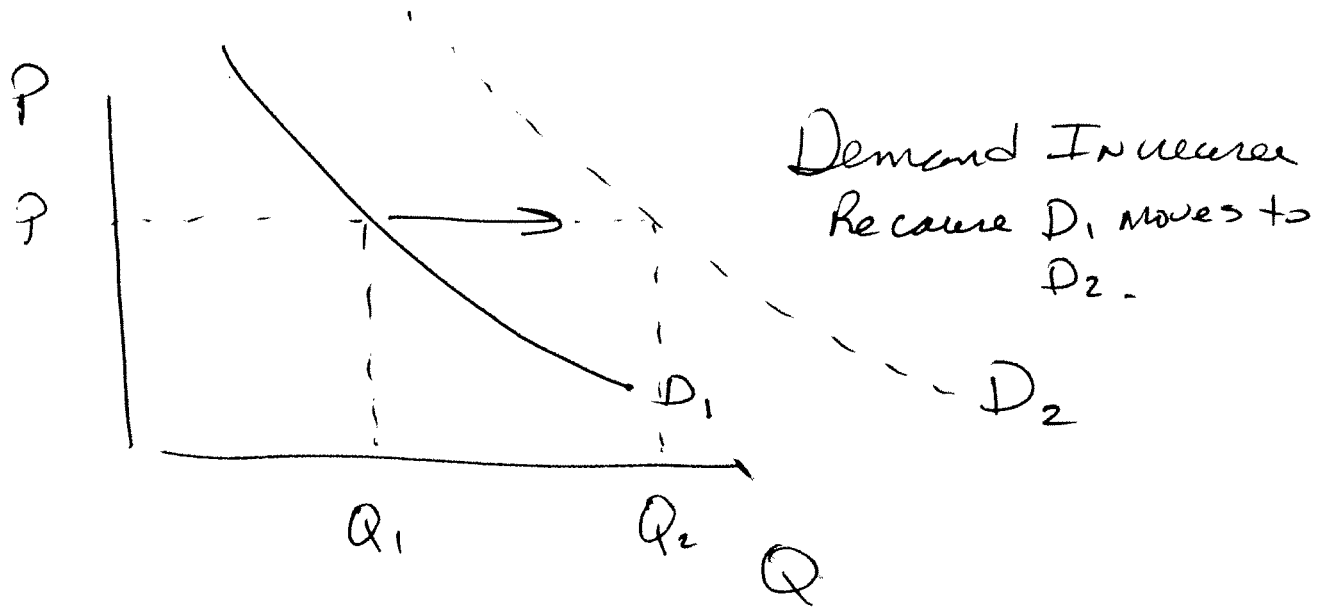


A change in price moves us along the curve.

The price of Tuna increases and consumers are willing to purchase more.

Other things SHIFT this relationship.

eg. AD campaign increases demand \Rightarrow willing to buy more at each price is an INCREASE IN Demand.



LABOR Market

Price of LABOR is Real Wage Rate

$$\frac{\text{Wage}}{\text{Price Level}}$$

$$\frac{W \uparrow}{P \rightarrow} \Rightarrow \frac{W}{P} \uparrow$$

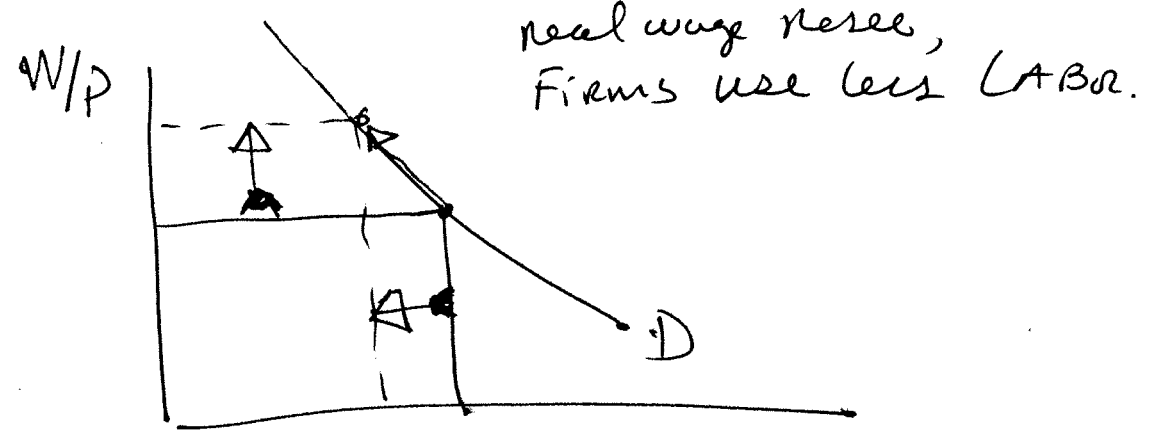
If Wage goes up and Price is same, then real wage rises.

$$\frac{W}{P \downarrow} \Rightarrow \frac{W}{P} \uparrow$$

If Price Falls and Wage stays same, real wage rises.

Demand comes from Firms who hire workers in order to produce goods. Demand is derived from The demand for goods.

When Real wage rise, firms find workers More expensive. They try to use fewer.



So, if Price levels fall, ^L real wage rises and firms use less LABOR.

Supply of Labor lower from you
and me.

we are willing to work more
or more are willing to work
or real wage rises.

