Understanding the Basic Terms in Economics in 20 Minutes

UNDERSTANDING ECONOMICS IN 20 MINUTES: UNDERSTANDING THE BASIC TERMS IN ECONOMICS IN 20 MINUTES

5 out of 5

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Economics is the study of how people make decisions in the face of scarcity. It is a broad and complex field, but there are a few basic terms that everyone should know in Free Download to understand how the economy works.

Supply and Demand

Supply and demand is one of the most fundamental concepts in economics. It explains how the prices of goods and services are determined in a market economy.

Supply refers to the amount of a good or service that producers are willing and able to sell at a given price. **Demand** refers to the amount of a good or service that consumers are willing and able to buy at a given price.

The relationship between supply and demand is shown in a graph. The supply curve slopes upward, indicating that producers are willing to sell more of a good or service at a higher price. The demand curve slopes downward, indicating that consumers are willing to buy less of a good or service at a higher price.

The equilibrium price is the price at which the quantity supplied equals the quantity demanded. At this price, there is no shortage or surplus of the good or service.

Inflation

Inflation is a sustained increase in the general price level of goods and services. It is usually measured by the Consumer Price Index (CPI),which tracks the prices of a basket of goods and services that are Free Downloadd by consumers.

Inflation can be caused by a number of factors, including:

- An increase in the money supply
- A decrease in the supply of goods and services
- An increase in demand for goods and services

Inflation can have a number of negative consequences, including:

- A decrease in the purchasing power of money
- An increase in interest rates

- A decrease in economic growth

GDP

GDP stands for gross domestic product. It is a measure of the total value of all goods and services produced in a country in a given period of time, usually a year.

GDP is one of the most important economic indicators. It is used to measure the size of a country's economy and its rate of growth.

GDP can be calculated in three ways:

- **The expenditure approach** adds up all the spending on goods and services in the economy.
- **The income approach** adds up all the income earned by individuals and businesses in the economy.
- **The value-added approach** adds up the value added by each industry in the economy.

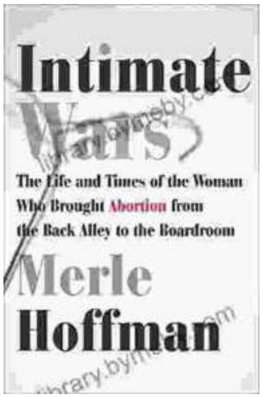
Microeconomics and Macroeconomics

Economics can be divided into two main branches: microeconomics and macroeconomics.

Microeconomics is the study of the behavior of individual economic agents, such as consumers, producers, and firms. It focuses on how these agents interact with each other in markets.

Macroeconomics is the study of the economy as a whole. It focuses on issues such as inflation, unemployment, and economic growth.

These are just a few of the basic terms in economics. By understanding these terms, you will be better equipped to understand how the economy works and make informed decisions about your finances.



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