- as buyers look at how much to demand and sellers look at how much to supply from the dollar value. (Adam Smith's "invisible hand")
- 7. Governments can sometimes improve market outcomes: Government enforces the rules and maintains the institutions that are key to a market economy. Inequalities exist as not everyone can have sufficient food, clothing, and healthcare under the invisible hand. Institutions enforce **property rights**-the ability of an individual to own and exercise control over scarce resources. Public policies could deal with problems such as **market failure**-a situation in which a market left on its own fails to allocate resources efficiently or **externalities**-the impact of one person's actions on the well-being of a bystander. (Example: pollution, 2nd hand smoke) **Market power** is the ability of a single economic actor or group of actors to have a substantial influence on market prices.
- 8. A country's standard of living depends on its ability to produce goods and services:

 Average income differences in rich and poor countries determine quality of life. These differences are caused by their relative **productivity**-the quantity of goods and services produced from each unit of labor input. Example: The rise of living standards in America is attributed to rising productivity because of greater amount of goods all districes resulting from the collective labor force.
- 9. Prices rise when the government prints too nature money. This is called **inflation** which is an increase in the overall level of prices is the economy. It is sometimes a problem as higher prices reduce demand or goods/services. The value of money falls because there is more mone and could be a higher quantity.
- 10 See faces a short-run and a facetween inflation and unemployment: Increasing the amount of money in the economy stimulates overall spending. Higher demand then causes prices to rise. More people are hired for production lowering unemployment. These factors make up the **business cycle**-the fluctuations in economic activity, such as employment and production. Example: Housing market crash, falling incomes, reducing taxes all affect this cycle.