

Economic Decision Makers

The household

Households play the starring role in a market economy .Their demands for goods and services determines what gets produced .Their supplies of labour capital , natural resources and entrepreneurial ability produce the output. The demanders of good and services and suppliers of resources , households make all kinds of choices , such as what to buy , how much to save , where to work and where to live.

The evolution of the household

The rise of two earner households has affected the family as an economic unit. Households produces less for themselves and demand more from the market .For example childcare services and fast food restaurants have displaced some household production . Most people eat at least one meal a day away from home . The rise in two earner families has reduced specialization within the household . A central feature of the farm family. Nonetheless some production still occurs in the home .

Households maximize utility

There are more than 110 million U.S. households . All those who live under one roof are considered part of the same household . Households like other economic decision makers , are viewed as rational , meaning that they try to act in their best interests and do not deliberately make themselves worse off.

Households as resource suppliers

Households use their limited resources labour , capital , natural resources and entrepreneurial ability in an attempt to satisfy their unlimited wants. They can use prepare meals , mow the lawn and fix a leaky faucet . They can also sell these resources market and use this income to buy goods and services in the product market . The most valuable resource sold by most households is labour. They can use these resources to produce goods and services in their homes.

The firm

Households members once built their own homes ,made their own clothes and furniture. Grew their own food and amused themselves with books, games and hobbies . Over time however, the efficiency arising from comparative advantage resulted in a greater specialization among resource suppliers.

The evolution of the firm