

Econ 2 - Lecture 3 - 4/4/25

Lecture Quiz #2 Released Wednesday, Due Monday, 4/14

Each quiz point worth 0.2% to 0.25% → see grade calculator
↓

Discussion Activity #1 in Section this week!

Gather Redfin Data, Upload → interpret

compare to AI / Class

→ Solo or in small groups: Laptop > Tablet > Smartphone

Top 3 of 5 Activities count towards grade

Last Class:

Housing Market Since 2012

Median Home Price in US

2012: 182k → 2020: 316k → 2024: 425k
+73% +134% +35%

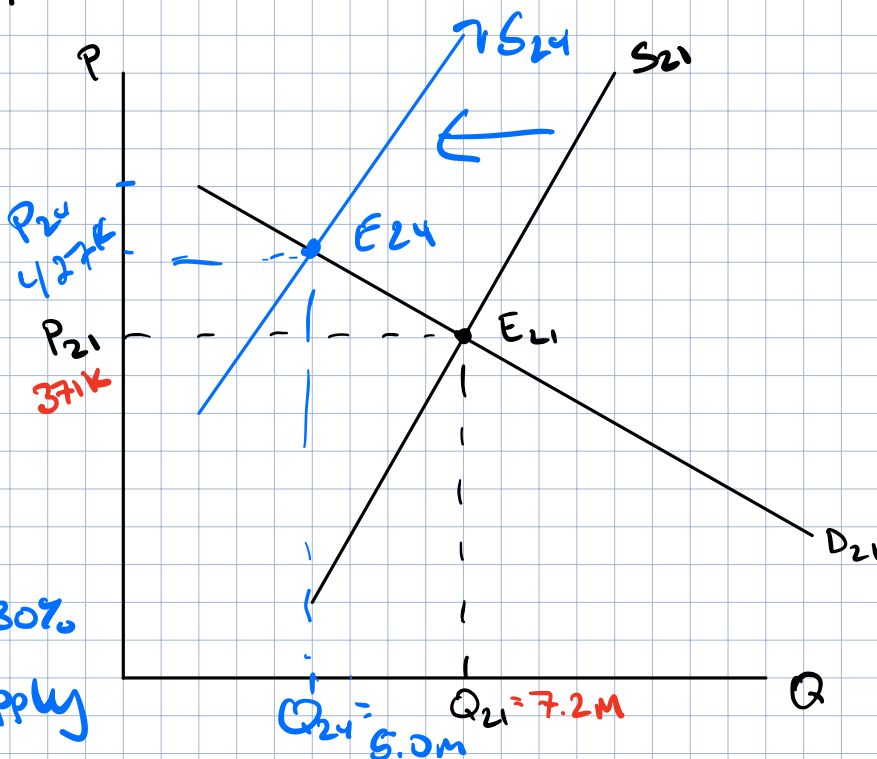
Las Vegas up 50% since 2020

Santa Barbara Single Family Home

Dec 2019: 1.25 M, Feb. 2025 = 2.3 M ⇒ +84%!

Year	Price	Quantity
2012	182000	4824542
2013	204743	5285535
2014	217839	5265920
2015	232792	5800220
2016	248482	6123973
2017	265626	6298066
2018	280467	6200941
2019	291829	6296493
2020	316240	6635493
2021	371196	7194768
2022	406959	5929543
2023	408755	4964040
2024	427861	5070131

Source: Redfin Data Center



2021 → 2024: $P \uparrow 15\%$, $Q \downarrow 30\%$

Has? Decrease in Supply

How could supply decrease?

Mortgage Rate History

2012-2019 = 4%
2021 \Rightarrow < 3%
2024 \Rightarrow ~ 7%

} By 2023,
90% of mortgages
at < 6% rate
75% were less than 5%

If we have a 500K mortgage
int. rate = 3%, monthly payment = ^{\$}2108
int. rate = 7%, monthly payment = ^{\$}3326

Supply of Housing \rightarrow homeowner \rightarrow incentive to
 \downarrow move? Gone!
3% mortgage

If move \rightarrow give up 3% rate \rightarrow take on 7% rate

Decrease in Supply!

If rising rates have homeowners stuck \rightarrow \downarrow Supply

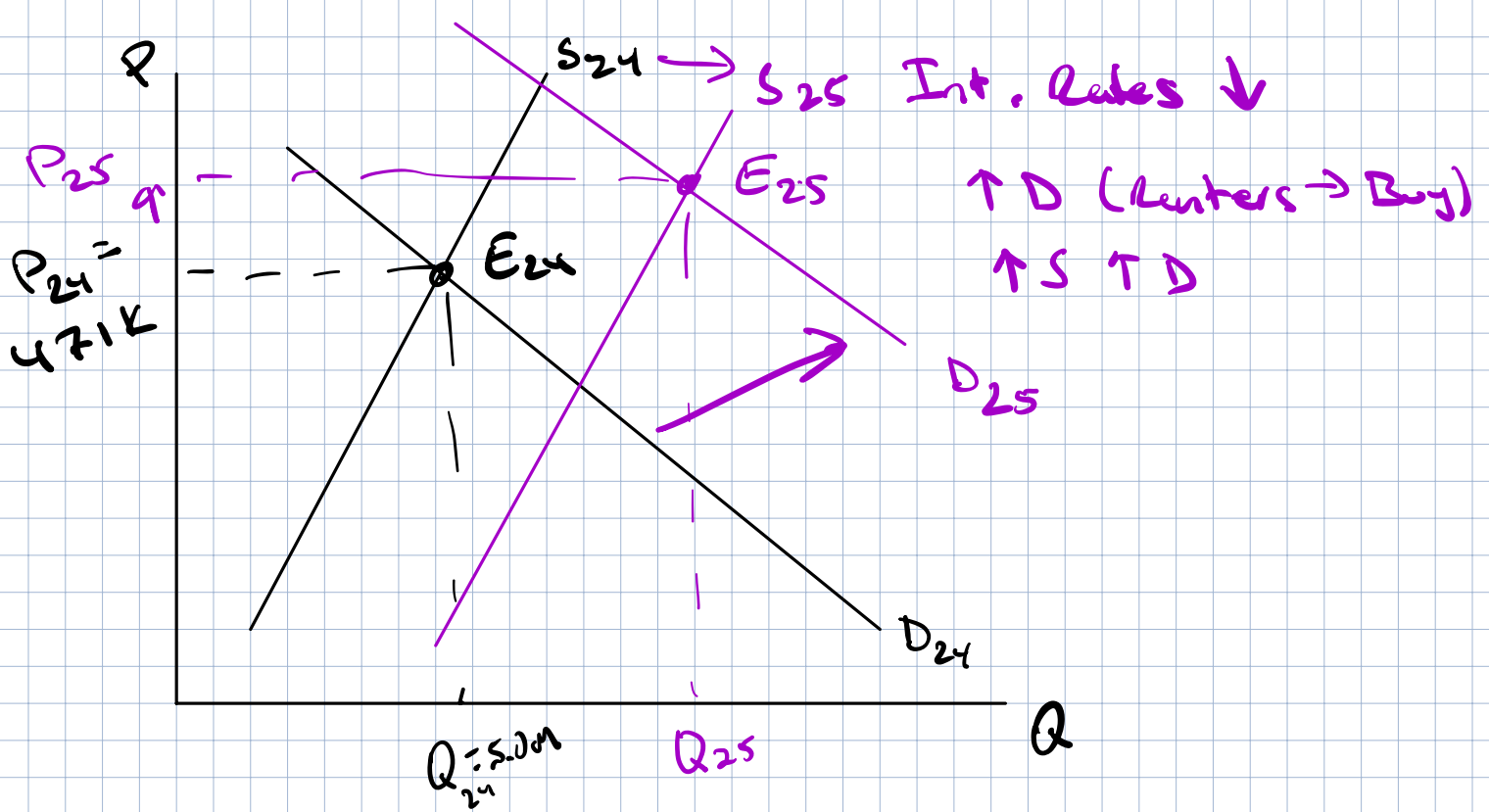
\hookrightarrow Examine what if rates fall?

\hookrightarrow Demand for housing \uparrow (Renters look to buy)

\hookrightarrow Existing owners are willing to move

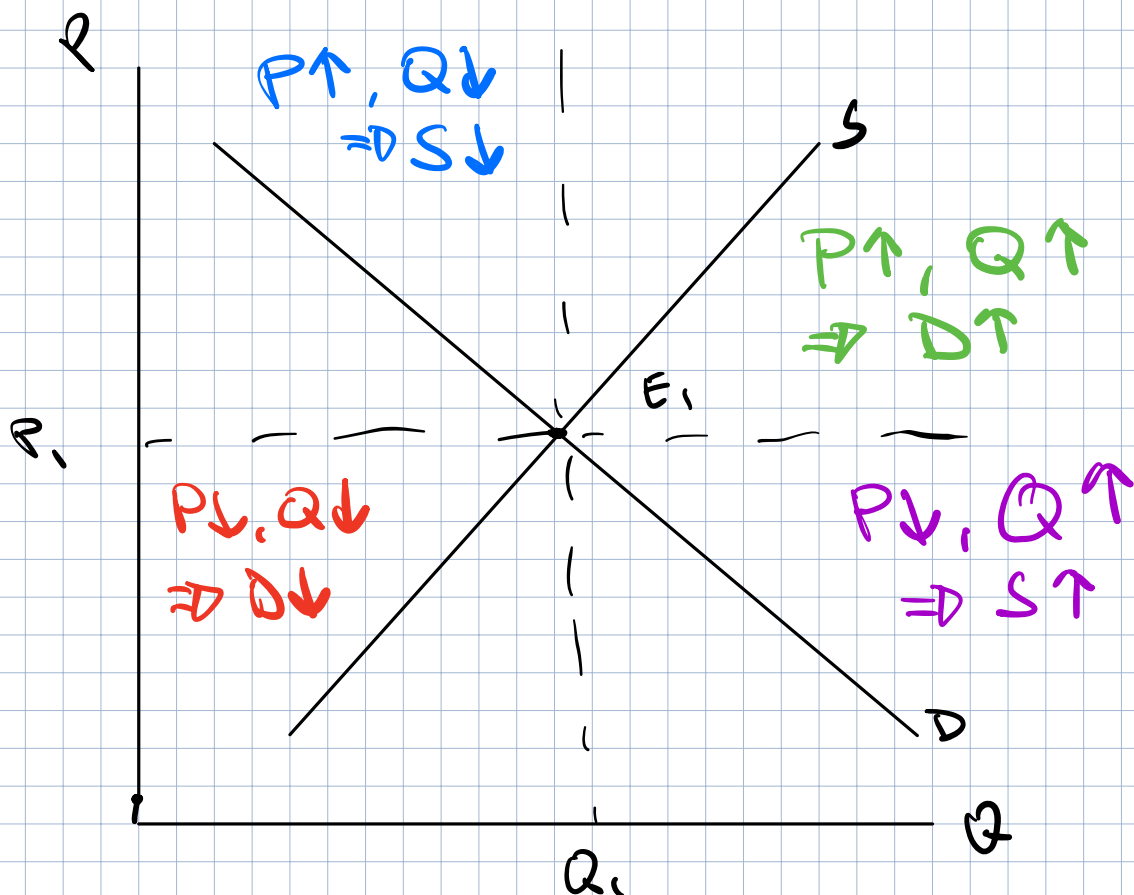
\swarrow
Increase Supply
of housing

\searrow
Replace old home
 \rightarrow Buy a new one



To decrease prices of homes $\rightarrow \downarrow D \Rightarrow \uparrow$ Unemployment Rate

Summarize Econ 1 Recap



Move towards Macro

↳ Framed by goals of healthy economy

1.) High Standard of Living (Economic Growth)
Statistic: Gross Domestic Product (GDP)

2.) Stable Prices

"Stable" → US Federal Reserve targets
inflation rate of 2-2.5%

Why not 0%, 1%, 10%?

Avoid → Zimbabwe inflation in 2008

= 89,700,000,000,000,000,000,000,001%

Currency becomes worthless → re peg → reset currency

3.) Full Employment

↳ is goal 0% unemployment or
something else?

Goal #1: High Standard-of-Living

Well-being?

Money? → Convert into goods/service → well-being ↑

↳ No Money ⇒ No Problems

→ Money for the sake of money → greed ;)

Condense well-being into a single measure

GDP: Gross Domestic Product
Production

GDP: the market value of all final goods and services produced for a marketplace, during a given period of time, within a country's borders.

Market Value: Connect each good into a dollar value, market prices

Final Goods / Services:

Buy \$400 Computer from Best Buy

Step 1: Raw materials mined → \$50
Sold to a Parts Mfg.

Step 2: Convert materials into parts → \$150
Sell to Dell

Step 3: Convert parts into Computer → \$350
Sell to Best Buy

Step 4: Best Buy offers a central location → \$400
to buy tech products
and Candy

Do not add up every transaction →

⇒ $50 + 150 + 350 + 400 = 950$ in transactions



Intermediate Goods:

Goods used to produce final product that we include in GDP

Double counting!

GDP: the market value of all final goods and services produced for a marketplace, during a given period of time, within a country's borders.

Produced: Bonds, stocks, land → not produced
Do not count

For a marketplace: consumer/firms gather to buy/sell

Tracked in a formal setting

Informal Transactions do not count

→ Child care for a friend does not count

→ Child goes to day care → does count!

Trade econ tutoring for history tutoring

→ informal, doesn't count