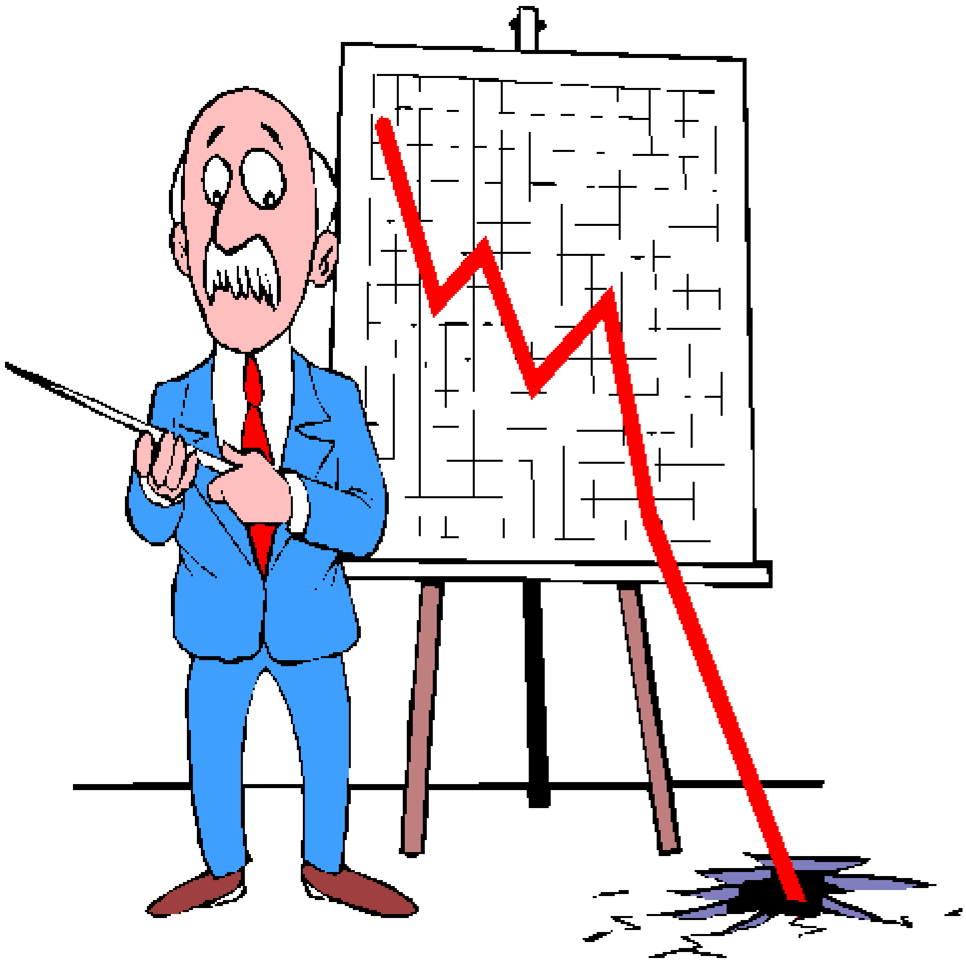
Economics Vocabulary



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Audit: A formal examination of an organization's or individual's accounts or financial situation.

Capital: The wealth, whether in money or property, owned or employed in business by an individual, firm, corporation, etc.

Capitalism: an economic system in which investment in and ownership of the means of production, distribution, and exchange of wealth is made and maintained chiefly by private individuals or corporations, esp. as contrasted to cooperatively or state-owned means of wealth.

Command economy: the government holds most property rights. Ex: In Cuba the government owns the land where sugar cane is raised to earn money for the government.

Competition: is the rivalry among buyers and sellers in the purchase and sell of resources. Ex: the rivalry among two shoe brands to sell their shoes, the Nike and New Balance.

Consumer: Someone who uses goods or Services.

Cost: The amount of money that must be spent to get a certain good or services.

Deficit: An excess of expenditure over revenue.

Demand: it is the quantities of a particular good or service that consumers are willing and able to buy at different possible prices at a particular time.

Division Of Labor: Different jobs needed in production are divided among various workers

Economics: The study of production and distribution.

Entrepreneur: A Business Owner

Entrepreneurship: The ability to make money through sales of products and or services.

Equilibrium: An equal balance between any powers, influences, etc.; equality of effect. In economics it applies to supply and demand, wages and inflation, price and purchase, and other opposites.

Expenditures: The act of expending something, esp. funds; disbursement; consumption. Spending; the cost of something

Goods: Physical products businesses produce. Tangible items of value.
Ex: The pants I wear are goods that were produced by businesses. The coffee my dad drinks every morning is a good as well.

Gross Domestic Product (GDP): The total market value of all the goods and services produced within the borders of a nation during a specified period.

Inflation: A general rise in the price level of goods and services, or a persistent, substantial rise in the general level of prices related to an increase in the volume of money and resulting in the loss of value of currency

Interest: Money that is paid on a loan by the borrower for the use of that money.

Investor: Someone who puts money into a business hoping to make a profit.

Laissez-Faire: (lay-zay-fare): Allowed to do (French). In economic terms it means that business is allowed to do as it will. The market will regulate any behavior.

Leverage: the use of a small initial investment, credit, or borrowed funds to gain a very high return in relation to one's investment, to control a much larger investment, or to reduce one's own liability for any loss.

Liquidity: the ability or ease with which assets can be converted into cash, and the degree to which an asset or security can be bought or sold in the market without affecting the asset's price.

Macroeconomics: The branch of economics dealing with the broad and general aspects of an economy, as the relationship between the income and investments of a country as a whole.

Market: an arrangement that allows people to make exchanges with one another; whenever and wherever people voluntarily make exchanges with one another.
Ex: When a kid went to buy an ice cream at an ice-cream place. He gave money for it and he received it. There was a market.

Market Clearing Price: is the price that balances the amount buyers want to buy with the amount sellers want to sell. Ex: In December, in my country there is a big demand for banana tree leaves that is because people make a dish that requires the leaves. The supply is very high as well, but there is a problem the sellers want to sell the leaves at a very high price, and buyers want to buy them at a lower price. Finally there is a market equilibrium that makes sellers put up for sale their product and buyers buy their product at a good price.

Market Demand: it is the sum of all individual demands in a given market at a particular time. Ex: my friend would like to buy a truck but cars and truck's prices have risen too high, so he is not able to buy it. His uncle is not affected for the inflation and can demand the truck. Ex: I would love to own a house but I can't demand it, there are other people who can but are not willing to buy it so they don't demand it.

Market Economy: Using markets as the primary means of organizing and coordinating production. Also called capitalism or free enterprise.
Ex: The people claimed In Venezuela the production of corn meal, individual producers made the corn meal and sold it to the people; people and producers themselves determined the price of the corn meal.

Market Supply: It is the sum of all individual supplies in given market at a particular time.

Microeconomics: Economic analysis of particular components of the economy, such as the growth of a single industry or demand for a single product.

Money: Any circulating medium of exchange, including coins, paper money, and demand deposits.

Three Functions of Money: 1) Medium of Exchange, 2) Store of Value and 3) Measure of Value. Ex: I can work as a woodman and getting money for payment instead of pieces of wood. I can save the money for the future.

Needs: Things that people must have in order to survive, such as food.

Opportunity Cost: it is the best alternative given up when making a choice. Ex: Emily wants to buy a stereo that costs \$ 50 as well as a digital camera that costs \$ 50; she only has \$ 50 to spend. Her computer needs to be fixed, which would cost her \$ 50. She has decided to buy the stereo, which means she has given up the best alternative that was to repair the computer. Peter has two 20-dollar bills; he is at the department store willing to buy a pair of Levi's jeans that cost 39 dollars. When he is about to buy them he sees some shirts that he likes a lot. He wants to buy the pants but he also wants the two shirts that together would cost 40 dollars. He decides to buy the shirts even though he needed the jeans more than he needed the shirts.

Price Effect-Three factors:

1) Buying Power: when a product's price is down, people's money has more buying power than before. Ex: if I buy beer at low prices I can buy more amount of beer than I could if prices were up.
2) Diminishing Personal Value: People value some of the uses of their products more than others. Ex: I the price of beer goes up I'd buy just enough beer to have available to offer people who visit me.
3) Diminishing Marginal Utility: People would reach a point where there is a less satisfaction of something. Ex: I might love beer but there is a point I will not buy so much beer no matter what the price is, just because I would have lost enjoyment.

Price Elasticity of Demand: is a measurement of the impact of the price effect. Ex: I want to buy a bike but I also have to pay for a fine I got. I need to pay for the ticket instead of needing to buy the bike.
Reasons for elasticity of demand:

1) Availability of substitutes: When substitutes are more plentiful, demand is

usually more elastic. Ex: My mother likes to buy soda pop for parties instead of buying milk.

2) Percentage of Budget: The bigger the percentage of people's budgets they spend on product, the more elastic its demand tends to be. Ex: My uncle used to pay the monthly fee for his children school; the school fee went way up, my uncle couldn't afford it. Finally, he moved his children to a public school.

3) Time: the longer people have to adjust to a price change, the more elastic demand tends to be. Ex: The price of gas in Venezuela rose from 450 Bs per gallon to 600 Bs in tow days, people didn't have time to make plans on how to save money to keep getting the same amount of gas they used to buy before the rise.
Example for Change in Demand:

4) Change in income: My aunt won the lottery last week, now she is able to buy the house she couldn't afford before.

5) Prices or availability of substitutes: In Spain most of people travel to other cities or countries by train because gasoline prices are often going up.

6) Change in the weather or season: People buy more beer at a baseball game when it is warm and sunny rather than cool and cloudy.
Supply: the various amounts of something a producer is willing and able to sell at different possible prices at a particular time. Ex: An Old Italian man owns a small grocery store; he has the chance to get and sell a type of cheese that is found in his old homeland only; he is willing to sell some of the cheese at a high price. He only has eight pounds of the cheese, which is his supply. Ex: In a farm where they get milk to sell; they produce 6000 liters/3 days; 6000 liters is their supply because it is the amount they are able and willing to sell.

Price Elasticity of Supply: If a change in price has a large effect on the quantity of a product supplied, the price effect is big and the price is elastic.

Price System: it is the use of prices to allocate scarce resources. Ex: The price of rice was set to be not higher than 80 cents per pound.

Prime Interest: the minimum interest rate charged by a commercial bank on short-term business loans to large, best-rated customers or corporations.

Private Property: it is the capital and other resources owned by individuals rather than governments. Ex: My uncle owns a house in the U.S as well as in Venezuela.

Producer: A person who makes goods or provides services

Profit: The amount of money that a company makes after all the costs of running the business have been paid.

Recession: a period of an economic contraction, sometimes limited in scope or duration. Ex: Times when many people are out of work and business are doing badly.

Rent: Money paid to someone in exchange for the use of that person's property

Resources: they are the basic elements used to produce goods and services.

A) Natural Resources: they are unaltered gifts of nature. Ex: The water needed to make bread in a bakery.
B) Human Resources: they are physical and mental efforts people use to create goods and services. Ex: the baker who makes bread everyday at the bakery.
C) Capital Resources: they are the buildings, tools, and machines people use to create goods and services. Ex: the oven where the bread is to be baked and the building where the bread is to be sold are some examples of capital resources.

Resource Markets: they are voluntary exchanges between resource owners and businesses. Ex: My job is my market for resources because it allows me to get money to spend it on the market for goods and services.

My father earns $3000 a month in the recourse market and he spends it in the markets for Goods & Services.

Revenue: The yield of sources of income (e.g., taxes) that a political unit (e.g., a nation or state) collects and receives into the treasury for public use.

Services: Products you can't touch. Work performed; intangible items of value.
Ex: The security police offers is a service. The Internet at home is a service.

Scarcity: The result of an inability to satisfy all of everyone's wants.
Ex: Pedro has $ 1000 available to buy a laptop computer. The price of the computer including tax is $ 999. He also saw a printer and a scanner he wanted to purchase but he has no money to buy them. He is not able to buy all he wanted to have. Another example is that Miguel has to decide between buying a car or buying a truck; because he has a farm he gave up the car even if he wanted to have both.

Specialization: When people do the jobs that they are interested in and do best.

Stock: Shares of a business that can be bought and sold.

Sub Prime: being below a prime interest rate, below the best quality.

Supply: The amount of a product that is available for people to purchase

Surpluses: The amount that remains when use or need is satisfied.
Trade-offs: A choice that involves giving up some of one thing to have more of another. Ex: In the morning my cousin spends a lot of time putting on make-up, she doesn't have enough time to eat breakfast because she has to go to school. The time she could spend on her nutrition is being given up.
A farmer doesn't have pigs anymore at his farm because he wants to have more cows.

Traditional economy: people rely on traditions to make the what, how and who choices. Ex: In a rural area there is a community who needs to raise yucca. They raise it themselves to consume it themselves.

Utility: The Value, benefit, or enjoyment that a person receives from consuming the product.(Utility diminishes with each additional unit consumed).

Wages & Salary: Money that is paid to a worker for the amount of time that has been worked.

Wants: Things that people would like to have but can live without, such as TVs.

What, How, Who Choices: What goods and services are to be created, how they are to be created and who is to receive them.

What: People choose the kinds and quantities of goods and services to produce. Ex: People in a community want to buy products made from mango.

How: People choose the way to create goods and services. Ex: They want to create mango ice cream and mango juice. They need to decide whether they are going to use old machinery or new technology to do it.

Who: who receives and consumes the goods and services created. Ex: the community gets to buy the products from mango.
Pillars of Free Enterprise: