

Economics-The study of choice; The study of mankind in the ordinary business of life; the study of how individuals and societies choose to use scarce resources to produce goods and services to help meet the wants and needs of societies;

Economic Resources-labor/natural resources/capital/human capital (NOT: money)

Scarcity-something is scarce (has scarcity) if the supply is insufficient to meet all the demand for free (at a 0 price);

Scarce-dictates the price of a good/service through the interaction of supply and demand; if you have to pay for it, the product is scarce;

Capital- machinery/equipment/factories

Human Capital-training/experience; knowledge isn't subject to the law of diminishing returns

Scarcity-limited nature of society's resources

Market Power-which is one group/person's ability to influence the market unduly

Externality-the impact of one person's actions on the wellbeing of a bystander

Efficiency-getting the most possible from scarce resources

Equality-distributing economic prosperity uniformly among the members of society

Opportunity Cost-what you gave up for something else, the next best thing you could have gotten

Marginal Change-Small incremental adjustment to a plan of action

Principal-Agent Problem-an employer wants to pay the least but get the most, and an employee wants to be paid the most but work the least. (Creating incentives that are motivate solves the problem)

Productivity-The amount of goods and services produced from each unit of labor input

Market Failure-Market can't allocate resources efficiently

Rivalness/Excludable Goods-a good or service is excludable when people who don't pay for it can't have access to it. (Massage, food, markers, tables etc.)

Public Goods-A good, that if produced, all can consume. One individual can have it without decreasing its availability to other consumers.

Inflation-increase in the overall price levels in the economy; generally rising prices;

Business Cycle-boom/bust, growth/recession; fluctuations in economic activity such as employment/productions

Microeconomics-study of how households and firms make decisions and how they interact;

Macroeconomics-economy wide phenomena-inflation/unemployment/economic growth

High unemployment

High inflation

Low growth

Budget deficit

Positive analysis-the world is this way

Normative analysis-prescribes what the world ought to be like; the world should do _____;

Absolute Advantage-ability to produce using less input than another producer

Comparative Advantage-the ability to produce a good at a lower cost than another producer

Factors of Production-labor or land

Market-group of buyers and sellers of a particular good/service

Competitive Market-market w/ many buyers/sellers so that each has a negligible impact on prices

Monopoly-one seller who sets the price

Quantity Demanded-amount of a good that buyers are willing/able to buy

Law of demand-as the price of a good/service increases, the amount of demand decreases

Demand schedule-table that shows the relationship between the price and quantity demanded

Demand Curve-graphical representation of the demand schedule

Market demand-sum of all individual demands for a good/service

Normal good- if demand decreases when income decreases the good is called a normal good

Inferior Good- if demand increases when income decreases the good is called a inferior good

Substitute goods- when a decrease in price of one good decreases the demand for another good, the goods are titled substitute goods

Complement Goods- when the decrease in price of one good increases the demand for another

Quantity supplied-amount sellers are willing/able to sell

Law of supply-as prices increase, supply increases

Supply Schedule-table showing the relationship between the price of a good and the quantity supplied

Supply curve-graphical representation of the supply schedule

Equilibrium-market price has reached the level at which quantity supplied equals quantity demanded

Law of supply and demand-the claim that the price of any good adjusts to bring the quantity supplied and the quantity demanded for that good in to balance/equilibrium

Economic history-is the reflection of the economic decisions of millions of individuals operating within the structures of specific economic institutions.

Institutions-international trade/labor markets/financial systems/capital markets/etc. (generate/sell goods)

Labor force-

Recession-2 consecutive quarters of decreasing GDP

Interest Rate-the percentage change in the price index from the preceding period

Nominal Interest Rate- interest rate w/o correction for the effects of inflation

Real Interest Rate- interest rate w/ correction for the effects of inflation

Indexed- when some dollar amount is automatically corrected for changes in the price-level by law or contract; Similar to a cost of living increase

Productivity-the quantity of goods/services produced from each unit of labor input

Capital- is a factor of production that is used to produce all kinds of goods, including more capital

Physical capital- the stock of equipment and structures that are used to produce goods/services

Human capital-knowledge/skills acquired through/by training/education/experience

Natural Resources- inputs into the production of goods/services that are provided by nature

Technological Knowledge- society's understanding of the best ways to produce goods/services

Diminishing Returns- the property whereby the benefit from an extra unit of input declines as the quantity of the input increases

Catch-up effect- countries that are poor tend to grow more rapidly than countries that start off rich

Foreign direct investment-capital investment owned/operated by a foreign entity

Foreign portfolio investment-operated by domestic residents but financed w/ foreign money