Economics Vocabulary

- The following slides contain vocabulary terms and definitions that you need to know when discussing Economics.
- Study each of the following slides for upcoming Economics assessments (tests, quizzes, etc.).
Economics

- The study of how people choose to use limited resources to satisfy their unlimited wants.
- Describes how a group of people make decide what to make, how to make it, and for whom to make it.
Human Resources/Capital

- The knowledge and skills (education) that allow workers to produce goods and services and earn a salary.

Example: The knowledge and skills needed to become a doctor, lawyer, teacher, or car mechanic.
Capital Goods (Resources)

- Goods such as factories, machines, and tools that workers use to make other goods.
Natural Resources

- Raw materials used to support life and make goods

- Examples:
  - Trees
  - Land
  - Oil
Entrepreneurship

- The rare mix of qualities needed to create and run businesses
- People who have these qualities risk their time, money, and energy to make a profit.
- They might create new products, come up with new ways to make things, or find new ways to reach buyers (ex. iTunes, Facebook).
Goods

- Tangible (touchable) objects that satisfy economic wants.
- Items that a person may want or need to have.
Services

- Activities performed by people to satisfy economic wants.
- Examples:
  - Restaurants provide the service of preparing food for people.
  - Teachers provide the service of educating students.
Someone who uses resources to make a good or service.

- A car company, such as Ford, uses raw materials (such as iron, etc.) to create automobiles.
Consumer

- Someone who buys or trades a good or service.
- Whenever we buy a product or pay for a service we are being a consumer.
Goods brought into one country from another through trade or sale.
Exports

➢ Goods and services traded with or sold to other countries.
Gross Domestic Product (GDP)

- The total value of all goods and services produced in a country every year.
- The value of every item made and every service provided in a country added up.
Invest (Investment)

- To buy more of something in order to benefit from it in the future.

Examples:
- Stocks (Stock Market)
- Putting money (capital) into a business or company
The literacy rate is the percentage of people who can read and write in a country. This statistic can be used to determine the level of education of people living in a country and is usually tied to the country’s GDP (higher literacy rate usually means the country will have a higher GDP).
Standard of Living

- A person’s level of comfort.
- Determined by the amount of goods, services, and luxuries available to a person.
- Countries with a higher GDP usually have a higher standard of living.
Scarcity

- The condition that exists because human wants go beyond the available resources required to satisfy those wants.
- When there isn’t enough of something because humans want more than they can have.
Specialization

- When people, businesses, or countries produce specific goods or services in order to produce more.
- Many countries specialize in the creation of one product or service, due to the resources they have (human resources, natural resources, etc.) available.
- Over specialization can be negative if there is an issue with the one product (Example: if there is a drought and your country’s economy is based on agriculture).
Economic System

- The way a nation uses its resources to satisfy people’s needs and wants.
- There are 3 major economic systems:
  - Traditional Economy
  - Command Economy
  - Market Economy
- Although there are 3 major economic systems, most countries are Mixed Economies.
Traditional Economy

- An economic system in which social roles and culture decide what goods and services will be produced, how they will be produced, and for whom.
- People do things the way they always have (following the traditions of their people).
Command Economy

- An economic system in which the government decides what goods and services will be produced, how they will be produced, and for whom.
- The government has the power to control the economy and command the people to do what the government says.
Market Economy

- An economic system in which individual choices decide what goods and services will be produced, how they will be produced, and for whom.
- This is commonly referred to as a Free Market system, because people have the freedom to do what they want.
**Mixed Economy**

- An economic system that has mixed features of traditional, command, and market systems.
- Most countries are Mixed Economies, falling on a continuum somewhere between a Command (0% Free) and Market Economy (100% Free).
Voluntary Trade

- An economic exchange in which all sides agree to participate because they expect to benefit.
- When a person agrees to trade a product or service for money, or another product or service, both sides benefit from the trade.
International Trade

- The exchange of goods and services between countries.
- International means between two or more nations (countries).
Currency

- Money that is used as a way to trade goods and services;
- Examples:
  - Paper Bills
  - Coins
Exchange Rate

- How much one country’s money is worth compared to another country’s.
- Example:
Trade Barrier

- Any law or practice that a government uses to limit trade between countries.
- This could be in the form of taxes (tariffs), quotas, or embargos.
Tariff

- A price charged for goods or services brought into one area from another area.
- Usually a tax added to the price of the product.
Quota

- A limit on the amount of product that may be imported during a given period of time.
- If a quota is in place, only a certain number of items can be imported.
Embargo

- When a country refuses to import or export certain goods; often backed by military force.
- Example:
  - The United States has had an embargo against Cuba since October of 1960.
OPEC

- Organization of Petroleum Exporting Countries.
- Decides the price and amount of oil produced each year in major oil countries like Iran, Iraq, Saudi Arabia, and Kuwait.