Economics Cheat Sheet

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Chapter 1 Terms

Economics	The study of how a society chooses to use scarce resources to satisfy unlimited wants and needs.
Microeconomics	The study of a single factor of an economy - such as individuals, households, businesses, and industries
Macroeconomics	The study of the economy as a whole or one of its principal sectors
Consumer	Individuals or groups that purchase and use goods to satisfy their wants and needs.
Producer	Individuals or businesses that create goods and services to meet consumer demand.
Goods	A tangible object or material that can be purchased to satisfy human wants or needs.
Services	An intangible action or activity that is performed for a fee to satisfy human needs and wants.
Resources	Anything used to produce goods or services
Technology	Scientific and technical techniques used to produce existing products more efficiently or of higher quality
Entrepreneurship	The organizational abilities and risk taking involved in starting a new business or introducing a new product to consumers
Scarcity	The fundamental condition of economics that results from the combination of limited resources and unlimited wants.
Specialization	The focus of a worker on only one or a few aspects of production in order to improve efficiency
Money	Any item, typically currency, that is commonly accepted in exchange for goods, services, or settling debts.
Credit	A form of exchange that allows consumers to use items with a promise of repayment over a specified time

Chapter 4 Terms

Law of Supply	As the price of a good increases, the quantity supplied increases, and vice versa
Cost of Production	The total cost of materials, labors, and other inputs required in the manufacture of a product
Tax	A required payment to a local, state, or national government, usually made on some regular basis
Law of Diminishing Returns	The principle that as more of one input is added to a fixed supply of other resources, productivity will increase up to a point, after which the marginal product will diminish
Marginal Cost	The cost of producing one additional unit of output

Chapter 6 Terms

Monopoly	A market in which a somgle seller exercises exclusive or nearly exclusive control over a particular good or service
Oligopoly	A market in which a few large sellers control most of the production of a good or service
Collusion	An effort by producers or sellers of a particular product to secretly set production levels or prices
Cartel	A group of producers or sellers of a certain good or service who unite to control prices, output, and market share
Antitrust Legislation	Federal and state laws that regulate big business and labor unions to prevent or dismantle monopolies
Product Differentiation	An attempt by a seller in monopolistic competition to convince buyers that its product is different from and superior to the nearly identical products of competitors

Chapter 2 Terms

Traditional Economy	An economy in which production is based on customs and traditions.
Market Economy	An economy in which the government has little to say in what, how, and for whom goods are produced and in which the factors of production are owned by individuals
Market	The free exchange of goods and services
Mixed Economy	An economy that combines elements of the traditional, market, and command economic models
Democratic Socialism	An economic system in which some means of producing and distributing goods are owned or controlled by an elected government
Captitalism	A market-based economic system in which individuals own and control the factors of production
Communism	An economic system in which the government owns or controls nearly all factors of production
Free Enterprise	A system in which private business operates with minimal government involvement
Private Property	Property that is owned by individuals or businesses , rather than by the government
Income	Money received, especially on a regular basis, for working or through investments
Standard of Living	People's economic well-being as determined by the quantity of goods and services they consume in a given time period.

Chapter 3 Terms

Law of Demand	As the price of a good decreases, the quantity demanded increases, and vice versa
Income Effect	The effect that a change in an item's price has on consumers' ability to purchase goods.

Chapter 3 Terms (cont)

Substitution Effect	Consumers' tendency to substitute a lower-priced good for a similar, higher-priced one
Demand Curve	A graphic representation of a demand schedule, showing the relationship between the price of an item and the quantity demanded during a given time period.
Elasticity of Demand	The degree to which changes in price of a good or service affect quantity de,amded

Chapter 5 Terms

Market Failure	A flaw in a price system that occurs when some costs have not been accounted for and therefore are not properly distributed
Market Equilibrium	The point at which the quantity demanded and the quantity supplied for a product are equal at the same price
Surplus	When the quantity supplied exceeds the quantity demanded at a given price
Shortage	When the quantity demanded exceeds the quantity supplied at a given price
Price Ceiling	A government regulation that sets a maximum price for a particular good
Rationing	A system by which a government or other institution decides how to distribute a good service; rationing is usually the result of limited supply