OVERALL KEY DEFINITIONS

Efficiency: a measure of how well workers, businesses, government or a country produce goods and services.

Profitability: a measure of business success through comparing profit made with the amount sold or invested;

Sustainability: a way of considering economic activities in terms of their impact on future welfare and resources;

Quality of life: a measure of welfare beyond the standard of living which includes a consideration of non-monetary factors;

Equity: a way of considering fairness in the distribution of income and wealth and in the outcome of economic activities.

Efficiency: A measure of how well workers, businesses, government or a country produce goods or services. This includes the consideration of external / social costs and benefits as well as the measurement of productivity by comparing outputs with inputs.

Profitability: A measure of business success through comparing profit made with the amount sold or invested.

Capital: goods/materials that are used for the production of other items. Not consumed in their own right.

Consumption: Using up goods/services.

Consumer Goods: goods that are wanted because they provide satisfaction to their owner.

Demerit Goods: goods that are perceived to have a negative impact/effect on society/individuals.

Economy: Total value of goods & services produced & exchanged within a country.

Enterprise: risk taking & decision making in business

Factors of Production: land, labour, capital, enterprise.

Fixed Capital: capital goods that do not need replacing in the short term (machinery, tools, and buildings).

Free Goods: goods that require no resources to make (wind, sunshine).

Goods: items produced by the factors of production (usually for economic gain).

Labour: the human effort (mental & physical) required to produce something.

Land: the land we use/build on & resources that are contained in the land and water.

Markets: Place where goods & services are exchanged - (may be visible or invisible).

Merit Goods: goods that are perceived to provide positive externalities (beneficial to society)

Needs: requirements for continued existence (food, clean water, shelter)

Opportunity Cost: the cost of the next best alternative.

Production Possibility Curve: a curve that represents possible output if the factors of production are used efficiently. Also known as the '***opportunity cost curve***' as it can be used to show the opportunity cost of producing different products/quantities).

Public Goods: good provided by the government (paid for through taxes) that everybody benefits from (street lighting).

Resources: items that are needed/ useful for consumption or the production of other items.

Scarcity: limited availability of resources (ones that will run out eventually), not enough to satisfy all the wants.

Services: something that fulfils a need, often not a physical object (banking, teachers, policemen).

Wants: the desires that people have that are not necessary for their existence/ luxuries.

Working Capital: capital products that are used up in the production process (raw materials).

Complementary goods: goods that are purchased to support/go with another product (petrol & cars).

Contraction in demand: movement along the demand curve to the left (higher price & lower quantity demanded).

Contraction in supply: movement along the supply curve to the left (lower price & lower quantity supplied).

Demand: want/willingness to buy a product.

Diminishing Marginal utility: consumption of additional units of a product provide less utility (satisfaction) each time.

Effective Demand: the financial ability to actually purchase the product.

Elasticity: the responsiveness of quantity supplied or demanded in relation to changes in price/income/other products.

Equilibrium: the point at which the supply and demand curves cross/intersect

Excess Demand: quantity demanded is greater than the quantity supplied at a given price.

Excess Supply: quantity supplied is greater than quantity demanded at a given price.

Extension in demand: a movement along the demand curve to the right (lower price & higher quantity demanded).

Extension in supply: a movement along the supply curve to the right (higher price & higher quantity supplied).

External costs: costs of production that have to be paid by someone other than the firm/individual (cleaning up pollution).

External benefits: benefit of production to others outside the firm/individual (1st aid training for employees)

Individual Demand: the amount a single person would be willing to buy at a range of prices.

Inferior goods: goods that consumers demand less of as incomes increase due to them opting to buy higher quality alternatives.

Marginal Utility: the additional satisfaction gained from the consumption of an extra unit of a product.

Market Demand: total demand for a product

Price elastic demand: a % change in price results in greater % change in quantity demanded.

Price inelastic demand: a % change in price results in smaller % change in quantity demanded.

Price elastic supply: a % change in price results in greater % change in quantity supplied.

Price inelastic supply: a % change in price results in smaller % change in quantity supplied.

Private costs: the costs that the company/individual has to pay for production (labour, raw materials).

Private benefits: the benefits to the company/individual of production (profits).

Social costs: private costs + external costs

Social benefits: private benefits + external benefits

Substitute goods: goods that can be used as a substitute/alternative for a product (butter & margarine).

Supply: the number of goods/services firms are able & willing to supply at a range of prices.

Unitary elasticity: % change in price results equal % change in quantity demanded or supplied.

Utility: the satisfaction gained from consuming a product.

Average cost: total cost/output.

Average fixed costs: downward sloping line (from left to right) as the fixed costs are shared among increased output.

Average revenue: total revenue/number of product/services sold.

Average variable costs: initially downward sloping as increasing returns to labour and economies of scale are achieved with increased output & then they rise with output.

Break-even Point: total revenue = total cost (no profit or loss made).

Cartel: small group of large firms that work together to keep prices high & therefore keep all their profits high. Usually illegal.

Co-operative: organisation owned by its workers and they share the rewards.

Costs: the money paid to produce/provide the service/product.

Diseconomies of scale: when an increase in the scale of production results in increased average costs (over-time pay etc).

Diminishing returns to labour: additional workers eventually add decreasing levels of marginal output (eg. too many people share tools and get in each others way)

Division of labour: the allocation of workers to specific tasks in the production line.

Economies of scale: when increases in production (output) lead to reduced total average costs (discount for bulk buying etc).

Factory: the site/building that produces the product, a firm may have more than one.

Firm: The company/business that owns one or more factories.

Fixed costs: costs that have to be paid regardless of level production (rent, loan repayments).

Horizontal integration: merging of firms at the same stage of production.

Increasing returns to labour: initially as additional workers are employed their marginal output increases.

Industry: A group of firms producing similar or same goods (eg: soft drinks industry - coca cola would be a firm in this industry).

Marginal cost: the additional cost of producing an extra unit.

Marginal Product/productivity: additional output gained from the employment of an additional worker.

Marginal revenue: the additional revenue gained from selling an extra unit.

Monopoly: Single firm controls the supply in a market (has no competitors).

Multinational Company (MNC): Company that has outlets or production facilities in more than one country. Usually plcs.

Normal Profit: profit level just high enough to keep firms in the industry.

Oligopoly: Small number of large companies control the supply in a market.

Partnership: 2 to 20 individuals jointly own a business and share the profits(solicitors).

Primary Industry: Industries involved in extracting raw materials (agriculture, fishing, forestry, mining).

Private Limited Company (Ltd): company owned by shareholders, but shares only sold privately, not on the stock exchange.

Productivity: output per worker.

Profit: revenue - costs (the money you are left over with after costs are deducted).

Public Limited Company (plc): company owned by shareholders & shares sold on the stock exchange to the public.

Revenue: total money obtained from sales (before any deductions).

Secondary Industry: Manufacturing or construction industries. Ones that make things (factories, carpenters, bakers, builders).

Sole-trader: Single owner of a business, usually small scale.

Super-normal Profit: increased demand in an industry leads firms to make above normal profits.

Tertiary Industry: Industries that provide a service (banking, solicitors, teachers, police forces, doctors).

Total costs: fixed costs + variable costs.

Total Revenue: price x output (the total amount of money gained from sales of a product).

Transnational Company (TNC): see multinational company.

Variable costs: costs that are dependent on the level of production (raw materials, labour in some cases).

Vertical Integration: merging of firms which are involved in the production of the same product but at different stages.

Absolute advantage: When a country can make more than another country of a certain product with the same amount of labour.

Balance of payments: The sum of the current, financial & capital accounts which account for all trad & financial transactions for a country.

Comparative advantage: The relative advantage of producing a certain product to trade even if the country has an absolute disadvantage in it.

Current account: The account that records the visible & invisible trades of a country as well as government aid payments.

Embargo: A ban on the import of a product/products from a certain country.

Exchange rate: The value of one currency in relation to another currency.

Exports: Goods sent to another country in exchange for money.

Financial & capital accounts: the Governments accounts that record the movement of money in & out of the country (not for the sale of goods) & the sale of fixed assets.

Fixed exchange rate: when the value of a currency is pegged to (fixed to) another major currency such as the US dollar.

Imports: Goods brought into the country in exchange for money.

Internal trade: Trade within a country.

International trade: Trade between two or more countries

Protectionism: Methods of restricting imports and possibly increasing exports.

Quotas: Limits on the number of imports of certain products.

Subsidies: Money given to industries by the Government to attract them or make them more competitive.

Tariffs: Taxes placed on imports.