Economics
Acting Like An Economist
Key Terms

**Wants** – goods and services that people would like to obtain

**Needs** - items that people must have to live; food, water, shelter, basic clothing

**Scarcity** – condition that exists because human wants and needs are greater than available resources

**Incentives** – positive and negative rewards that encourage economic behavior such as making purchases or working to increase productivity

**Resources** – items available to produce goods and services to satisfy human wants and needs.

**Opportunity Costs** – the item or value that is lost when someone makes an economic decision; the next best alternative; the item that is not chosen

**Trade Offs** – action of giving up one item or category for another; example, “guns vs butter”

**Factors of Production (Productive Resources)** – land, labor, capital, and entrepreneurship

**Land** – the earth and all of the resources coming from the land

**Labor** – efforts and abilities of humans used to produce goods and services, mental and physical

**Capital** – tools, equipment, and facilities involved in creating goods and services and getting them to the consumers

**Financial capital** – money from savings and investments that finance businesses

**Entrepreneur** – person or individual who organizes the resources for production and distribution, entrepreneurs take risks

**Allocation** – the way society deals with scarcity; prices, government regulation, rationing

**Decision Making** – choosing between two or more economic options

**Marginal benefits and costs** – what consumers and producers evaluate in making economic decisions; benefits should be greater than costs

**Marginal utility** – the satisfaction and usefulness of adding one unit in production or one more item in consumption

**Consumer** – Those who obtain and use goods and services produced by others.

**Product (Producer, Production)** - an economic good that can be used to satisfy needs and wants

**Service** – work performed to satisfy needs and wants, example, haircut

**Specialization** – individuals do specific tasks in the production of goods and services, ex. Heart specialist.

**Voluntary Exchange** – consumers and producers decide which goods and services to exchange and set the prices

**Absolute Advantage** – one person or country can produce more than another in a specific time period; measured in terms of inputs and outputs.

**Comparative Advantage** – one person or country has a lower opportunity cost in the production of one good or service over another good or service.