**Economics**

**Microeconomics: Demand, Supply, and Market Forces**

**Key Terms**

**Microeconomics** - the branch of economics that studies how individuals, households, and firms make decisions to distribute limited resources, in markets where goods or services are being bought and sold.

**Quantity Demand** - amount of goods desired and able to be purchased by consumers and business.

**Demand schedule** - listing of the various quantities of a particular product demanded at all possible prices in the market. (a table or chart)

**Law of Demand** - the higher the price of the product, the less the consumer will demand, an inverse relationship.

**Change in Demand or shift** - a second demand curve has been introduced into the market because consumers are willing to buy more or less at every price due to a change in the market place other than price.

**Market** - an arrangement between producers and consumers to conduct voluntary exchange of goods and services.

**Utility** - a measure of the satisfaction and benefit gained from consumption of goods and services.

**Marginal Utility** - the increase in utility obtained by consuming or using one more unit of a good or service.

**Diminishing Marginal Utility** - law of economics stating that as a person increases consumption of a product, while keeping consumption of other products constant, there is a decline in the benefit that person receives from consuming each additional unit of that product.

**Income Effect** - the change in demand for a product caused by the impact of a change in its price affecting the spending power of the consumer.

**Substitutes** - similar products that people will buy if the price of a product goes up; Ex. Beef vs. chicken.

**Complements** - a good that is consumed with another good. Ex. Cereal and milk.

**Elasticity** - change in price causes large change in demand.

**Expenditures** - the value of money that has been used up or spent to produce something.

**Total Revenue** - the amount of money that a company receives from its production and sales in a given period of time. (Receipts)

**Profit** - the making of gain in business activity for the benefit of the owners of the business, money left over after all expenses are paid.

**Supply** - amount of a product that would be offered for sale at all possible prices that could prevail in the market, a direct relationship.

**Law of Supply** - suppliers will normally offer more for sale at high prices and less at lower prices.

**Supply Schedule** - listing of the various quantities of a particular product supplied at all possible prices in the market. (a table or chart)
Supply Curve- graph showing the various quantities supplied at each and every price that might prevail in the market.

Quantity Supplied- amount producers bring into the market at any given price.

Change in Supply or Shift- a second supply curve has been introduced into the market because producers are willing to supply more or less at every price due to a change in the market place other than price.

Inputs - factors of Production, resources that go into making products.

Productivity- The amount of output per unit of input measured during a specific period of time. Ex. With 4 more workers output was increased by 10 cars a day.

Technology- knowledge and use of advanced tools and processes

Subsidy - a government payment or benefit to a producer of specific products.

Tax- a fee charged by a government on a product, income, or activity.

Supply Elasticity- measure in which quantity supplied responds to a change in price.

Law of Variable Proportions- in the short run, output will change as one input is varied while others are held constant.

Production Function- describes the relationship between changes in output to different amounts of a single input while other inputs are held constant.

Raw Materials- unprocessed natural products used in production.

Total Product- total output produced by a firm.

Marginal Product- additional output due to an extra variable of input.

Marginal Revenue – receipts gained from adding one additional unity

Marginal Cost – what is given up when one more unit of product is produced.

Diminishing Returns- at a point the gain from each addition input declines.

Variable Cost- cost that changes when the production of a business changes. Ex. Labor cost.

Fixed Cost- A cost that does not vary depending on production or sales levels. Ex. Rent

Total Cost- sum of the fixed and variable costs.