



Terms and Definitions

Module 5

Capital – the cash and other assets that a business owns

Capitalism – a free enterprise system where individuals own and control property and are motivated to make a profit. Prices are determined by supply and demand.

Command economy – a system where the government, rather than individuals, determine what goods should be produced, at what rate they will be produced, and at what price goods will be offered.

Consumers – individuals who are willing to pay for goods and services; customers

Demand – consumer's desire and willingness to purchase specific goods and services

Demand curve – a visual representation of the relationship between price and demand

Economic system - a system of production, resource allocation and distribution of goods and services within a society or a given geographic area

Economics - the branch of knowledge concerned with the production, consumption, and transfer of wealth

Economy - the wealth and resources of a country or region, especially in terms of the production and consumption of goods and services as well as the management of available resources

Enterprise – a business or company

Equilibrium point – the point where a supply curve meets a demand curve

Equilibrium price - the price at which the supply curve meets the demand curve

Equilibrium quantity - the number of products available at the point where the supply curve meets the demand curve

Free enterprise system – a system that allows anyone to own and operate a business, capitalism or market economy

Industry – a sector that produces goods or related services within an economy, such as health care, manufacturing, and technology industries

Local economy – the economic system and economic activity in a local area of an economy (there are others, such as regional, state, national, and world economies)

Market economy – an economy in which the prices of the products and services are chosen in a free price system that is decided by supply and demand without substantial government intervention

Mixed economy – an economy in which there are aspects of both a market economy and a command economy in play

North American Industry Classification System (NAICS) – a business-classification system that is used for all business activities across North America so data and statistics can be compared between the US, Mexico, and Canada

Scarcity – the gap between limited resources and limitless wants

Shortage – a condition where the quantity demanded is greater than the quantity supplied at the market price

Suppliers – a person or business entity that supplies goods and services

Supply – the amount of something that businesses are willing to provide in a market

Supply and demand curve – a visual representation of the relationship between the quantity and price of goods and services coupled with how willing consumers are likely to want to buy them at a specific price

Supply curve – a graphic representation of the correlation between the cost of a good or service and the quantity supplied

Surplus – the outcome that happens when there is more of something that is wanted or needed

Voluntary Exchange – when people and companies participate in market transactions freely and willingly