Basic Economic Concepts

1. Economy: the system of production, distribution, and consumption of goods and services that a society uses to address the problem of scarcity.

2. Economics: a social science that studies the allocation of limited resources to the production of goods and services used to satisfy consumer's unlimited wants and needs.

3. Goods and services: Goods generically means physical, tangible products used to satisfy people's wants and needs. This term good should be contrasted with the term services, which captures the intangible satisfaction of wants and needs.

4. Resource: The labor, capital, land, and entrepreneurship used by society to produce consumer satisfying goods and services.

5. Production: The process of transforming the natural resources of the land into consumer satisfying consumption and capital goods using scarce resources.

6. Consumption: The use of resources, goods, or services to satisfy wants and needs.

7. Effiency: Getting the most out of the resources used.

8. Demand: the amount of a good or service that people are both willing and able to buy.

9. Supply: Supply is the amount of a good or service available at any particular price. The law of supply is that, other things remaining the same, the quantity supplied will increase as the price increases.

10. Productivity: Productivity refers to the efficiency of production, measured as the output per unit of input. This is the most important thing in the long run.

11. Value: Value does not exist inherently inside goods; nope, it is not intrinsic. People assign value to things. value does exist only in human minds; people can assign value to things.

12. Opportunity cost: The opportunity cost is the value of the next best alternative forgone when a decision is made.

13. Savings: Savings refer to the portion of income that individuals, businesses, or governments set aside rather than consuming immediately.

14. Investment: Investment is a key driver of economic growth, contributing to the expansion and improvement of productive capacities in an economy.

15. Trade: It is a fundamental aspect of the global economy, promoting specialization, efficiency, and the allocation of resources based on comparative advantage.

16. Capital: This is something special; people accumulate this not for the sake of itself, but because it produces a return.

17. Money: It is a market good, arises automatically from the market. It should be scarce, have a long shelf life, be carriable, divisible, and highly saleable. Money is a vehicle for savings, so it must hold purchasing power intact for a long time.

18. Credit: It acts like money taken out of the future. It is a claim on present goods and services, but the final settlement will occur in the future—a promise.

19. Interest Rate: It is the borrowing cost of money, the price of time.