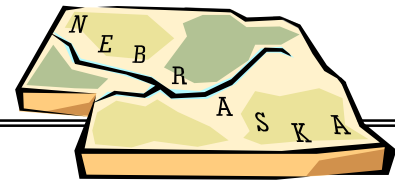


Glossary



Aggregate Demand A schedule or curve that shows the total quantity of goods and services demanded (purchased) at different price levels.

Benefits Something that promotes or enhances well-being; an advantage.

Competition The presence in a market of independent buyers and sellers competing with one another and the freedom of buyers and sellers to enter and leave the market.

Costs An amount paid or required in payment for a purchase; a price.

Decision Making Comparing the cost vs. benefits when deciding whether or not to employ resources; comparing alternatives based on selected criteria.

Demand A schedule showing the amounts of a good or service that buyers (or a buyer) are willing and able to purchase at various prices during some period of time.

Diminishing Returns The principle that as successive increments of a variable resource is added to a fixed resource, the marginal product of the variable resource will eventually decrease.

Double Taxation The taxation of both corporate net investments (profits) and the dividends paid from this net income when they become the personal income of households.

Economic Functions of Government Providing the legal structure, maintaining competition, redistributing income, reallocating resources, and promote stability.

Economic Resources The land (natural), labor(human), capital, and entrepreneurial ability that are used in the production of goods and services; productive agents; factors of production.

Entrepreneurship The human resource that combines the other resources to produce a product, makes non-routine decisions, innovates, and bears risk.

Fiscal Policy Changes in government spending and tax collections designed to achieve a full employment and non-inflationary domestic output; also called discretionary fiscal policy.

Human Resources People's physical and mental talents and efforts that are used to help produce goods and services.

Incentives Something such as a fear or punishment or the expectation of reward, that induces action or motivates effort.

Legal forms of business Consists of sole proprietorship, partnership, and corporation.

Limited Liability Restriction of the maximum loss to a predetermined amount for the owners (stockholders) of a corporation. The maximum loss is the amount they paid for their shares of stock.

Markets Any institution or mechanism that brings together buyers (demanders) and sellers (suppliers) of a particular good or service.

Opportunity Cost The amount of other products that must be forgone or sacrificed to produce a unit of a product; the next best alternative.

Price The amount of money needed to buy a particular good, service, or resource; determined by supply and demand.

Production Costs Costs associated with the employment of resources used in the production of a good or service.

Productivity A measure of average output or real output per unit of input. For example, the productivity of labor is determined by dividing real output by hours of work.

Profit The return to the resource "entrepreneurial ability"; total revenue minus total costs.

Role of Government The economic activities of the public sector- Federal, state, and local government; also see economic functions of the government.

Shortage The amount by which the quantity demanded of a product exceeds the quantity supplied at a particular (below-equilibrium) price.

Supply A schedule showing amounts of a good or service that sellers (or a seller) are willing and able to offer at various prices during some period.

Surplus The amount by which the quantity supplied of a product exceeds the quantity demanded at a specific (above-equilibrium) price.

Trade-offs The sacrifice of some or all of one economic goal, good, or service to achieve some other goal, good, or service.