



# **Basic Economic Concepts**

Economics has its own vocabulary.  
Fortunately, most economic terms are  
widely used and will already be familiar.

# I. Needs and Wants

- A need is a basic requirement for survival.
- A want is a means of expressing a need.



# II. Products



- **A. Free Products** are so plentiful no price can be attached (sunshine or air).
- **B. Economic Products** are goods and services that are useful, relatively scarce, and transferable to others.



# B. Economic Products

- **1. Goods – a tangible commodity**
  - **Consumer Goods – to be used by individuals.**
  - **Capital Goods – a good used to produce another good.**
  - **Durable Goods - last three years or more.**
  - **Nondurable Goods – last less than three years.**





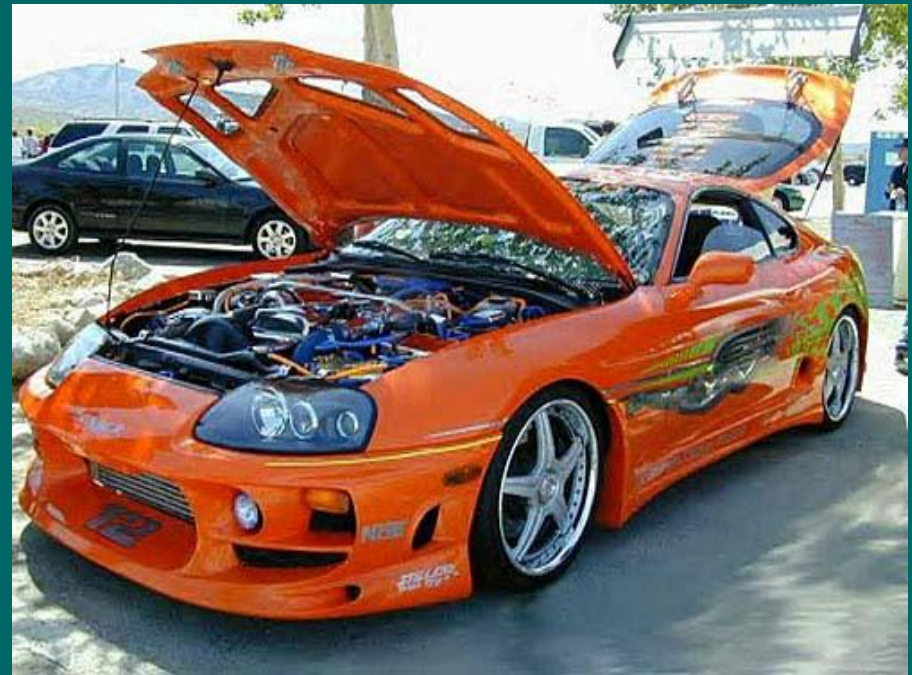
# B. Economic Products



- **2. Services – work performed for someone.**
- **This includes work that doctors, lawyers, and teachers perform.**
- **The difference between a good and service is that a service cannot be touched or felt.**

# III. Consumers

- Consumers are People who use goods and services to satisfy wants and needs.
- A. Consumption is the process of using up goods and services to satisfy wants and needs.
- B. Conspicuous Consumption is the use of a good or service to impress others.



# IV. Value, Wealth, Utility



- Value is something that has worth that can be expressed in dollars and cents.
- Value is determined by the price someone would pay for something.
- Why do some things have more value than others?



# A. Paradox of Value

- **Some things are essential to life, such as water, yet have little monetary value.**
- **Other things, such as diamonds, are not essential but have a much higher value.**
- **This is known as the paradox of value.**
- **The paradox of value is due to scarcity. In order for something to have value, it has to be somewhat scarce.**





# B. Utility



- **For something to have value, it must also have utility.**
- **Utility is the capacity to be useful to someone.**
- **This is not measurable and can be different from one person to the next.**

# C. Wealth

- **Another concept is wealth.**
- **Wealth is the sum of economic products that are tangible, scarce, useful, and transferable from one person to another.**





# Economic Interdependence





# Markets

- A Market is a location or economic mechanism that allows buyers and sellers to deal readily in a certain economic product.
- This could be local, regional, national, or global.



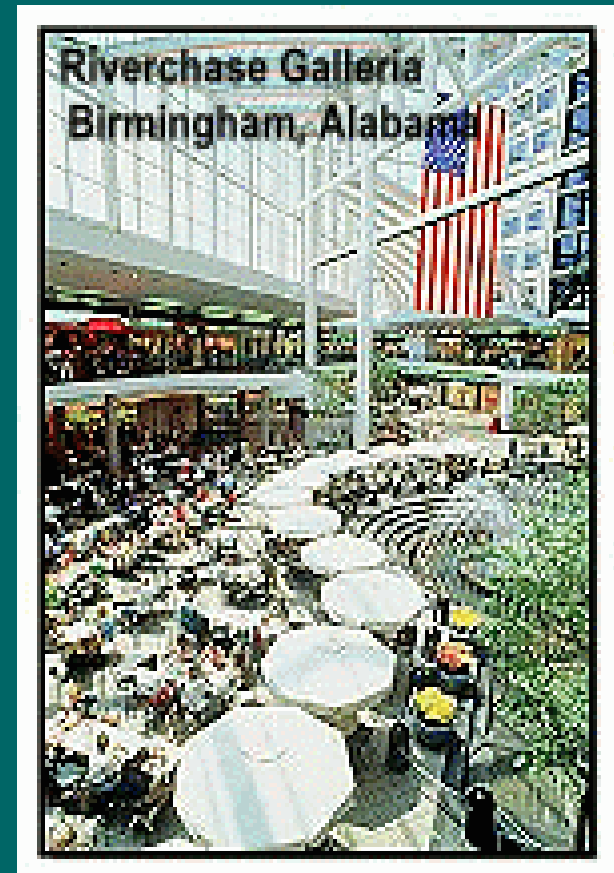
# Markets



- Factor Markets are where productive resources are bought and sold.
- Entrepreneurs hire labor for wages and buy scarce resources.

# Markets

- Product Markets are where producers offer goods and services for sale.
- This is where individuals spend the income they receive on goods and services.







# Economic Interdependence

- **All markets have a distinct circular flow. This shows economic interdependence.**
- **Economic Interdependence means that actions in one part of the country or world have an economic impact on what happens elsewhere.**
- **This is shown in the *circular flow of economic activity* diagram.**

# Circular Flow

