

## Economics Basic Terminology



This interaction defines six central economic terms. You can access the interaction at <https://kurtstuke.com/OER/EandC/Terms/>

Each term is presented as a dedicated slide below for your convenience.

## 1. Rational Expectations

The slide features a blue background. On the left, a white rounded rectangle with a light blue header and three circles (representing window controls) contains text. On the right, the title 'Rational Expectations' is written in white. Below the title is a light blue rounded button with the word 'CONTINUE' in white.

**Rational Expectations**

The assumption used in many economic models that people or companies make decisions by rationally evaluating the likelihood of possible future outcomes (Marron, 2017, p. 11)

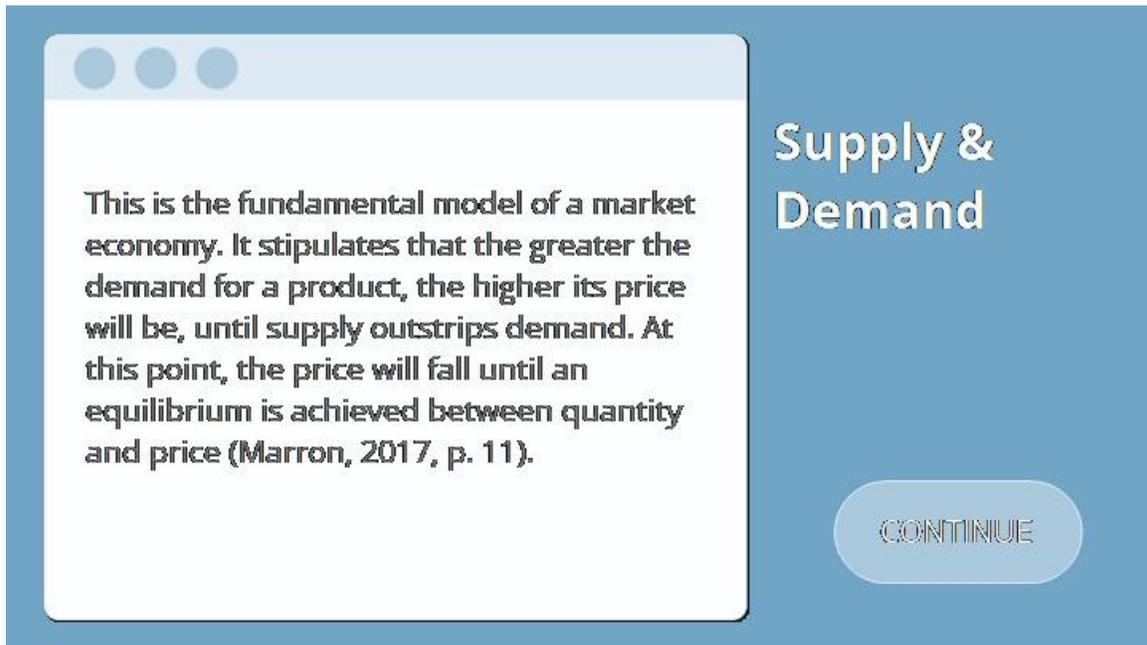
Are decision makers always rational?  
Are decision makers always forward thinkers?

CONTINUE

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## 2. Supply and Demand



This is the fundamental model of a market economy. It stipulates that the greater the demand for a product, the higher its price will be, until supply outstrips demand. At this point, the price will fall until an equilibrium is achieved between quantity and price (Marron, 2017, p. 11).

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### 3. Capitalism

**An economic system whereby the means of production and distribution are owned primarily by individuals or corporations. The prices of labor and goods are determined on the free market and not by a central government (Marron, 2017, p. 26).**

**Profits are claimed by those who own the means of production.**

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#### 4. Globalization

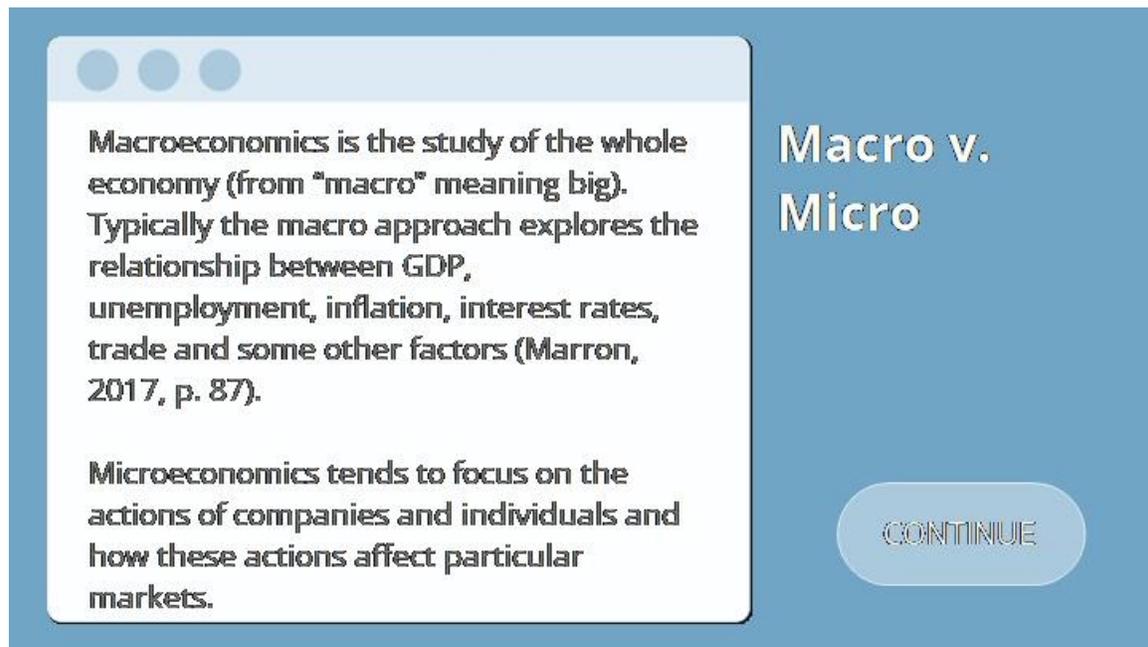
The process through which restrictions to international trade are removed and companies can trade freely across national boundaries (Marron, 2017, p. 26).

**Globalization**

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## 5. Macro versus Micro



**Macroeconomics** is the study of the whole economy (from “macro” meaning big). Typically the macro approach explores the relationship between GDP, unemployment, inflation, interest rates, trade and some other factors (Marron, 2017, p. 87).

**Microeconomics** tends to focus on the actions of companies and individuals and how these actions affect particular markets.

# Macro v. Micro

CONTINUE

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Microeconomics tends to focus on the actions of companies and individuals and how these actions affect particular markets.

## 6. Socialism

**An economic system whereby the means of production and distribution are owned by the workers or by the state. Prices of goods and wages are determined by the central government instead of being determined by the market (Marron, 2017, p. 27).**

**The economy is planned and rational; the randomness of relying on a market or powerful individuals is reduced.**

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