LGA Economics Class

*Vocabulary and Notes*

**Capitalism and Free Enterprise – January 29, 2015**

Capitalism – an economic system in which private citizens own and use the factors of production in order to see a profit

Free Enterprise – competition is allowed to flourish with a minimum of government interference

\*Choice is a key element in the system. We have the right to choose what products to buy. Businesses have the right to choose the products they will produce and sell.

\*Usually, one cost is that if an entrepreneur’s business fails, the government wont help out.

Markets – where the prices of goods and services are determined as exchange takes place. They also connect the sectors of the economy

Consumer sovereignty – the customer is the king or ruler of the market and determines what products will be produced.

Private property rights – we have the freedom to own and use, or dispose of, our own property as we choose to as long as we do not interfere with the rights of others

\*an incentive to work, save, and invest because we keep any gains

\*someone who owns his or her own home often takes better care of it than someone renting it

Competition – the struggle that goes on between buyers and sellers to get the best products for the lowest prices

\*Competition between sellers keeps cost of production low and quality of goods higher

Profit – the amount of money left over after all the costs of production have been paid

Profit motive – the driving force that encourages individuals and organizations to improve their material well-being

Voluntary exchange – the act of buyers and sellers freely and willingly engaging in market transactions

\*both the buyer and seller benefit as long as it’s voluntary

**Economy and You**

Protecting Consumer Rights

*Caveat emptor* – Latin phrase for “let the buyer beware”

Consumerism – a movement to educate buyers about the purchases they make and to demand better and safer products from manufacturers

\*Fair Packaging and Labeling Act is an example. Requires every package to have a label identifying its contents and how much it weighs

5 major rights of consumers

1. Right to a safe product – one that will not harm your health
2. Right to be informed – not be mislead but given the facts to make an informed choice
3. Right to choose – variety of products and services at competitive prices
4. Right to be heard – consumer interests will be listened to when laws are written
5. Right to redress – ability to obtain from the manufacturers adequate payment if their product causes financial or physical damage

\*it’s the consumer’s responsibility to start the process

Warranty - the promise made by a manufacturer or seller to repair or replace a product within a certain time period if it is faulty.

\*could be canceled if you try to repair yourself first

Ethical behavior – consumers should respect the rights of the producers and sellers

Disposable income – money income a person has left after all the taxes on it have been paid

Discretionary income – money left over after paying for necessities that can be used for satisfying wants

Charge account – a line of credit that a particular store extends to regular customers

Credit cards – issued by banks and some businesses and can be used in any business that accepts the card

\*The decisions you make about all your purchases involve an opportunity cost.

Saving – set aside a portion of income for a period of time so that it can be used later. The part of your income that you don’t spend