

Appendix 4: Glossary of terms

Adding value (Value added)

As resources are combined in production, their value is more than the sum of their separate costs.

Advertising

Informing and persuading buyers to purchase a product or service.

Allocation

The way people, organisations, community or countries decide who will receive resources, and goods and services. Property rights and “who can pay the price” generally decide who uses resources and consumes final products and services of an economy. Community and government provided goods and services may be distributed on a different basis, according to need, for example.

Alternatives

Alternatives provide the range of choices people consider before making a decision. Comparing the value of alternatives allows us to make better choices.

Bank

A business which offers financial services such as deposit accounts, cheque and savings accounts, and opportunities for customers to borrow money.

Barter

Exchange of goods or services between two parties without using money to assist the exchange.

Business

An organisation which uses resources, and adds value to these through further processing with the intention of meeting market demand and making a profit, or at least covering costs.

Buyer

An individual, business, government or community organisation, who purchase resources or final products and services generally in exchange for money.

Career

The occupation/s a person chooses usually over a working lifetime.

Choices

A choice is an option from a range of alternatives an individual or groups of individuals have.

Command economy

An economic system practised in communist countries. The material and land resources used in production are collectively owned by the community. Extensive economic planning is carried out by the state, deciding the What, How and For Whom questions.

Community organisation

A non-profit organisation, generally funded by fees, government or private sponsorship and voluntary labour, providing a service for the community, not necessarily on a user pays basis.

Competition

More than one seller or buyer in the marketplace. Competition influences the price at which resources and goods and services can be sold.

Consumer

A person who purchases a product or service that has completed its production cycle.

Contract

An agreement between two parties, whether verbal or written. Offer and acceptance are the two key components of the contract.

Credit buying

Buying goods and services now with an agreement with the seller to pay at a later date.

Creditor

A person or organisation that you or your business owes money to.

Debtor

A person or organisation that owes money to you or your business.

Decision

The action taken from a range of choices.

Decision at the margin

Most decisions are not 'all or nothing' decisions. They are 'about', 'a little bit more', e.g. 4 instead of 3, or a little bit less, e.g. 10 instead of 11.

Demand

The quantity of goods or services consumers are willing and able to purchase at any given price, over a specified time.

Distribution

The way an organisation, community or country decides who will consume their goods and services. "Who is willing to pay the price" generally decides who consumes products and services.

Division of Labour

Dividing up the production process into smaller parts and having workers employed to specialise in different parts of the process. This generally lowers the cost of producing each product, creating an opportunity to sell at a lower price or to improve profit margins.

Double coincidence of wants

A difficulty with barter exchange, is finding two parties who have exactly what the other requires. Barter exchange requires a “coincidence of wants” between the two parties.

Economics

Economics provides language, principles and a way of thinking which helps us unravel why we and others evaluate choices and make decisions.

Economising

The act of taking the best decision from a range of alternatives.

Economy

Provides goods and services. The economic system decides the three principal decisions of a society: What to..How to..For Whom...

Efficiency

Using the best combination of resources to minimise the cost of producing goods and services.

Employee

A person who works for another person or organisation. Generally that person is paid a wage or salary

Employer

A person or organisation who hires the services of others.

Entrepreneur

A person who takes an idea of a product or service, and successfully develops it with the intention of making a profit by selling it in the marketplace. The person is a risk taker.

Equilibrium

The market clearing price where the price set matches quantity demanded with quantity supplied.

Exchange (Voluntary exchange)

The transfer of property rights, for example, from seller to buyer. Money is often used in exchange to complete the transaction. People exchange when they believe each will be better off, otherwise there would be no agreement between the parties. The exchange may be non monetary, for example, in a barter transaction

Exchange rate

The rate at which one community's currency swaps for another community's currency.

Exports

Goods or services produced in New Zealand that are purchased by overseas people for their use.

Free market economy

The resources owned for the production of goods and services are owned privately, not by government. The decisions of What, How and For whom are decided by people, not the state (Government).

For Whom?

This is about how resources and goods and services are distributed. Who has/gains the property rights to use them? Price and who can pay often decide who owns the property rights. Governments can and do allocate property rights for 'use'.

Goods

The tangible output of the production process.

Government

In New Zealand a democratically elected government provides goods and services that cannot or should not be supplied by privately owned organisations. These goods and services are financed through taxes. A legislator and an independent judiciary are two key services of government.

How to?

A question for producers to decide. What combination of resources, and what processes will be used to produce goods or services.

Incentives

Any factor that influences the choices people, groups of people, organisations, and government make. There are both monetary and non monetary factors.

Income

The amount earned by people and organisations. Income includes wages, interest, rent and profit.

Imports

Goods or services that originate in other countries and are bought by New Zealanders.

Inefficient

The cost of providing a good or service could be lower if a different process or group of resources were used to provide it.

Inflation

Generally rising prices for goods and services sold in an economy over a period of time.

Interdependence

As a result of specialising in one area of production and relying on exchanges with others to supply resources, and goods and services people and businesses become interdependent. Specialisation and interdependence increase the goods and services we have available to consume.

Interest

An amount charged for the use of someone else's money, or the amount earned by lending someone else money.

Intermediate Good

A good that is partly or fully manufactured and will be used in the production of other goods or services. For example, nails that will be used to build a house, shampoo used at the hairdresser, cloth used by a dress maker.

Investment

Involves postponing consumption, and spending resources so saved to produce goods and services, or income in the future, e.g. a business who retains profit to purchase new machinery.

Invoice

A document used for recording sale transactions. Cash invoice, or an invoice to be paid at a later date.

Law

Rules for a community decided and passed through the legislative division of government. Laws are generally enforced through penalties, which act as disincentives.

Loan

Money or a good that is able to be used by someone else for a given period of time. A payment, interest, is exchanged for this use.

Marginal (extra)

Used in the context of marginal cost or marginal benefit, it means the extra cost or benefit by doing a 'little bit more' or a 'little bit less'. When marginal benefit is greater than marginal cost, opting for 'a little bit more' is an economising decision.

Market (marketplace)

A place or mechanism where buyers and sellers can communicate and complete an exchange for goods or services if they agree on the price and terms and conditions of sale. Markets allocate resources and goods and services.

Market surveys

A questionnaire designed to find out what consumers would be willing to buy at different prices. This is generally carried out by sellers.