




Specialization

- Specialization – Division of labor to increase productivity; you are able to produce more if people specialize.
- When companies specialize, they become experts at doing one particular thing.
- Specialization increases the amount of things a society can produce and leads to a more efficient use of resources.



Three people are starting a business making cakes, decorating them, and delivering them to customer. Explain how they could use specialization and a division of labor to make their business more efficient.



Goods, Services, and Consumers

- Economics is concerned with economic products – goods and services
- Consumer good – intended for final use by individuals
- Capital goods – Goods used to produce other goods and services



Services

- A Service is a type of economic product or work that is performed for someone.
 - Example: haircuts, home repair, doctors, lawyers, teachers, etc.
- Difference between good and service: A service is intangible, or cannot be touched.



Consumers

- A person who uses goods and services to satisfy wants and needs.
- Consumers indulge in consumption (the process of using goods and services in order to satisfy wants and needs).



Value, Utility, and Wealth

- **Value** in Economics refers to worth that can be expressed in dollars and cents.
- **Utility** – For something to have value, it must also have Utility.
 - The utility of a good or service may vary from one person to the next.
 - A good or service does not have to have utility for everyone, only utility for some.
- For something to have value, economists decided, it must be scarce and have utility.



What is Wealth?

- **Wealth**, in an economic sense, is the accumulation of those products that are tangible, scarce, useful and transferable from one person to another
- A nation's wealth is comprised of all items including natural resources, factories, stores, houses, theaters, clothing, etc.



Wealth

- While goods are counted as wealth, services are not.
- Services are not tangible. However, this does not mean that services are not useful.



Factor Markets

- Factor Markets are where productive resources are bought and sold.
- This is where entrepreneurs hire labor for wages and salaries, acquire land in return for rent, and borrow money for interest.



Product Markets

- Product markets are where producers sell their goods and services to consumers.
- The money that individuals receive from businesses in the factor markets, returns to businesses in the product markets.
- This money is then used to produce more goods and services.



Productivity

- Productivity is a measure of the amount of output produced by a given amount of inputs in a specific period of time.
- Productivity goes up whenever more output can be produced with the same amount of inputs in the same amount of time.



Economic Interdependence

- Economic interdependence means that we rely on others, and others rely on us, to provide the goods and services that we consume



Free Enterprise Economy

- A Free Enterprise Economy: One in which consumers and privately owned businesses, rather than the government, make the majority of the WHAT, HOW, and FOR WHOM decisions.