

- market forces N-plural

Market forces are the economic factors that affect the availability of goods and the demand for them in a market economy

- allocate (allocates, allocating, allocated) VERB
allocation N-UNCOUNT

When society **allocates** resources in an economy, it divides up and distributes them to competing, alternative uses.

- scarce ADJ
scarcity N-UNCOUNT

When something is **scarce**, there is not enough of it to meet a demand or requirement.

- abundant ADJ
abundance N-UNCOUNT
an abundance of QUANTIFIER

When something is **abundant**, there is a lot of it or it is plentiful.

- consumer N-COUNT

A **consumer** is a person who acquires goods and services for his or her own personal needs.

Consumers will soon be paying higher airfares. It will offer a wider choice of goods for the consumer (=consumers in general). Consumer demand led to higher imports of manufactured goods.

- household N-COUNT

In economics a **household** refers to a social unit comprised of those living together in the same dwelling.

Common collocations

household expenditure, household goods, household appliances

- producer N-COUNT

A **producer** is someone who creates and supplies goods or services. **Producers** combine labor and capital—called factor inputs or factors of production—to create—that is, to output—something else.

- input N-VAR

An **input** is a good or service used to produce another good or service.

When calculating the cost of goods sold for a particular item, it is important to include not only the direct inputs such as raw materials but also indirect costs such as labor and overheads.

- substitute N-COUNT
- substitute (substitutes, substituting, substituted) VERB

When you **substitute** coffee for tea, you replace the tea with coffee, i.e. instead of using tea, you use coffee. In economics a **substitute** good replaces another good that fulfils the same function such that when the price of one good rises, the demand for a **substitute** good rises because consumers are less willing to buy the first due to its higher price. For example tea and coffee are substitute goods.

- complement N-COUNT
complementary ADJ
complement (complements, complementing, complemented) VERB

A **complement** or **complementary** good is a good whose use is interrelated with the use of a paired good such that a demand for one (tyres, for example) generates demand for the other (petrol, for example). Similarly if the price of one good rises and reduces its demand, it may reduce the demand for the **complementary** good as well.

<http://www.businessdictionary.com/definition/complementary-good.html> (adapted)

- commodity (commodities) N-COUNT

In economics, a **commodity** is an economic good or service that the market treats as if instances of the good are equivalent or nearly so, with no regard to who produced them. Some traditional examples of **commodities** include grains, gold, beef, oil and natural gas.

- demand N-UNCOUNT
- demand (demands, demanding, demanded) VERB

The **demand** for a good or service refers to how much (or what quantity) of the product or service is desired by buyers. The quantity **demand** varies as people are more or less willing to buy something depending on its price.

- supply N-UNCOUNT
- supply (supplies, supplying, supplied) VERB

The **supply** of a good or service refers to how much (or what quantity) of the product or service is produced by firms. The quantity **supplied** refers to the amount of a certain good producers are willing to supply when receiving a certain price.

1. Use the terms in the box to complete the text.

allocated	demand	scarce	market economy	high (2x)	low (2x)
supply	goods	resources	services		

A is an economy where most are owned and controlled by individuals and are through voluntary market transactions governed by the interaction of and

People exchange resources, such as money, for other resources, such as or, on a voluntary basis in the market. The value of the resources exchanged is based upon how each resource is and how many people want the resource. If the supply of a resource is, but the demand is, the price will tend to be high. If the demand is and the supply, the price will tend to be low.

Source: <https://study.com/academy/lesson/what-is-a-market-economy-definition-advantages-disadvantages-examples.html>

2. Place each pair of goods in the correct column in the table

- | | |
|--|---|
| a. Matches and lighters | e. Car and bus |
| b. Hamburgers and chips | f. iPad and iPad stand |
| c. Cornflakes and milk | g. iPhone and Android phone |
| d. Prince tennis racquet and Dunlop tennis racquet | h. Airfare to London and hotels in London |

Complementary goods	Substitute goods

3. Read the text and answer the questions.

During the record gasoline prices in 2007, dealers of motor scooters, such as the Vespa, reported huge jumps in sales, and even waiting lists for new scooters. Their superior gas mileage made scooters a substitute for cars and trucks. In this case, the increased price of the "junior" partner in an economically complementary relationship drove the substitution of the "senior" partner.

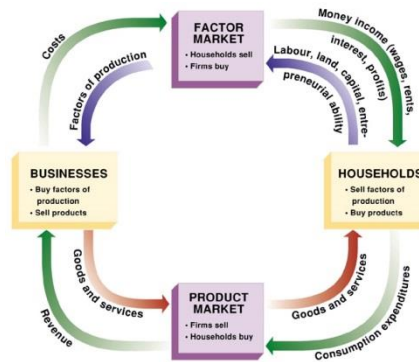
Source: <https://bizfluent.com/facts-5607033-difference-between-complementary-substitute-economics.html>

- What was the "junior" partner in the example given?
- What was the "senior" partner?
- Why did motor scooters become a substitute good for cars?
- What happened to car sales in 2007?

4. Use the information in the figure to choose the correct term (*households* or *firms*) to complete the text.

The Circular Flow Diagram

In economics, the circular flow diagram represents the organization of an economy in a simple economic model. This diagram contains households, firms, markets for factors of production, and markets for goods and services.



The flow of inputs and outputs

- **Households/Firms** provide the factors of production (labour, land, and capital) to the **households/firms** through the markets for factors of production. The **households/firms** will then use these factors of production to produce goods and services to be sold in the markets for goods and services. The **households/firms** will then buy these goods and services from the **households/firms** through the market for goods and services.

The flow of dollars

- **Households/Firms** pay wages, rent, and profit to the **households/firms** for their supply of the factors of production in the market for factors of production. **Households/Firms** will use this income to spend on goods and services supplied by the **households/firms** in the market for goods and services. When **households/firms** spend money on these goods and services, **households/firms** will earn revenue which can then be reinvested to obtain more factors of production.

NOTE: The capital that is mentioned as a factor of production is not money. Instead, it is machines and equipment that are needed in the production process.

http://wiki.ubc.ca/The_Circular_Flow_Diagram (adapted)