

Glossary

Chapter 2

capital-intensive	production that uses a large amount of capital (p. 38)
circular flow model of income and output	an illustration of the continuous flow of goods, services, inputs, and payments between firms and households (p. 40)
command economies	economies where the government uses central planning to coordinate most economic activities (p. 37)
consumer sovereignty	consumers vote in economic affairs with their dollars in a market economy (p. 37)
factor (input) markets	the market where households sell the use of their inputs (capital, land, labour, and entrepreneurship) to firms (p. 40)
goods and services flow	the continuous flow of inputs and outputs in an economy (p. 40)
income flow	the continuous flow of income and expenditure in an economy (p. 40)
labour-intensive	production that uses a large amount of labour (p. 38)
law of increasing opportunity cost	as more of one item is produced by an economy, the opportunity cost of additional units of that product rises (p. 45)
market economy	an economy that allocates goods and services through the private decisions of consumers, input suppliers, and firms (p. 37)
mixed economy	an economy where government and the private sector together determine the allocation of resources (p. 37)
product markets	the markets for consumer goods and services (p. 40)
production possibilities curve	the potential total output combinations of any two goods for an economy, given the inputs and technology available (p. 42)