Important Economic Terms

1. **Law of Diminishing Marginal Utility:** As more and more units of a commodity are consumed, marginal utility derived from each successive unit goes on falling as intensity of want for the commodity declines
2. **Demand:** It is for a commodity refers to the quantity of a commodity which a consumer is willing to buy at different price level in a given period of time.
3. **Substitute goods**: These are those goods which are used in place of each other to satisfy a given want for eg. coffee is a substitute for tea
4. **Complementary goods**: These are those goods which are used jointly to satisfy a given want for eg. car and petrol.
5. **Law of Demand**: It states that other things remaining unchanged, quantity demanded of a commodity is inversely related to the price of a commodity
6. **Law of Supply:** Other things being constant, quantity supplied of a commodity is directly related to price of commodity
7. **Demand Curve**: It reflects graphically the relationship between the quantity demanded of a commodity and its prices. It is downward sloping from left to the right because of the law of diminishing marginal utility, income effect and price effect.
8. **Inferior goods or Giffen goods**: In case of these goods, when their prices fall, their demand may not rise as the consumers divert their extra purchasing power to purchase superior goods. Their price effect is positive and income effect is negative.
9. **Substitution Effect: I**t refers to the substitution of the commodity in place of other commodity when it becomes relatively cheaper
10. **Cross Price Effect**: When demand for one product is affected by change in the price of the other product
11. **Price Elasticity of Demand:** It is the measure of degree of responsiveness of demand for a commodity to change in its price.
12. **Law of Variable Proportion**: If more and more units of variable factors are employed with fixed factors, output increases at an increasing rate in the beginning, then increases at diminishing rate and finally starts falling.
13. **Law of Returns to Scale**:This law explains the behaviour of output when quantities of all the inputs are changed in the same proportion.
14. **Revenue**: Revenue of a firm is its money receipts from the sale of its products
15. **Profit**: It is the surplus of revenue over total cost of production Profit = Total Revenue – Total cost
16. **Market** is a place where forces of demand and supply operate and where buyers and sellers interact to trade goods, services or contracts or instruments for money or barter.

17. **Market Equilibrium**: It is defined by equality between quantity demanded and quantity supplied in the market.
18. **National Income** is the net value of all the final goods and services produced in a country during a financial year. It is a flow concept.
19. **Gross Domestic Product (GDP)**: It is the total money value of all final goods and services produced within the geographical boundaries of the country during a given period of time
20. **Gross National Product (GNP)**:GNP refers to the money value of total output of production of final goods and services produced by the national of a country during a given period of time, generally a year