

## Bartram Trail Economics Vocabulary Database

| UNIT | ID | Term                           | Definition  |
|------|----|--------------------------------|---|
| 1    | 1  | capital                        | equipment and tools used to produce   |
| 1    | 2  | Adam Smith                     | father of economics; believed in order of an "invisible hand"   |
| 1    | 3  | causation fallacy              | assuming that because two things are correlated that one caused the other   |
| 1    | 4  | ceteris paribus                | all things being constant   |
| 1    | 5  | command economy                | where the government makes the decisions on production and allocation of resources  |
| 1    | 6  | composition fallacy            | assuming that what is true for the individual is true for the whole   |
| 1    | 7  | division of labor              | organizing production into separate tasks   |
| 1    | 8  | economics                      | the study of how people make decisions among trade-offs, or- how they use their limited resources to satisfy their unlimited wants. |
| 1    | 9  | entrepreneurship               | organizational skills, motivation and risk taking needed to produce   |
| 1    | 10 | externality                    | a cost or benefit that falls on a third party   |
| 1    | 11 | factor market                  | market where firms purchase resources (FOPs) from households  |
| 1    | 12 | labor                          | the physical and mental effort used to produce  |
| 1    | 13 | land                           | natural resource or material used to produce (may be refined)   |
| 1    | 14 | Macroeconomics                 | the study of the economic behavior of entire economies  |
| 1    | 15 | marginal                       | incremental, one more, or the next one  |
| 1    | 16 | market                         | any place where consumers and producers meet to exchange  |
| 1    | 17 | market economy                 | where consumers and producers make the decision on production and allocation of resources   |
| 1    | 18 | Microeconomics                 | the study of the economic behavior of individuals and specific markets  |
| 1    | 19 | opportunity cost               | your most valuable trade-off  |
| 1    | 20 | product market                 | market where households purchase goods and services from firms  |
| 1    | 21 | production possibilities curve | an economic model used to illustrate limited resources and trade-offs   |
| 1    | 22 | resource (FOP)                 | inputs needed for production  |
| 1    | 23 | scarcity                       | the idea that products and resources are limited  |
| 1    | 24 | specialization                 | focusing effort into one task   |
| 1    | 25 | trade-off                      | any choice forgone because of a decision  |
| 2    | 26 | complements                    | products that consumers purchase to go with other purchases; their cross price elasticity is negative                               |
| 2    | 27 | cost                           | \$ measure of production inputs; supply issue   |
| 2    | 28 | demand                         | a list of the quantities a consumer is willing to purchase at <b>ALL</b> possible prices  |
| 2    | 29 | diminishing marginal returns   | one resource is fixed so production efficiency is lost; this causes increasing marginal cost  |
| 2    | 30 | equilibration                  | market quantity and price appearing as a result of consumer and producer incentives   |
| 2    | 31 | inferior good                  | demand decreases as income increases; vice versa  |
| 2    | 32 | increasing marginal costs      | per unit costs rise and creates incentive to supply more only as price rises to match it  |
| 2    | 33 | market demand                  | the sum of all individual demands in a particular market  |
| 2    | 34 | market equilibrium             | where supply meets demand; the most product is sold; MC=MB, prevailing sale amount  |
| 2    | 35 | market supply                  | the sum of all individual suppliers in a market   |
| 2    | 36 | normal good                    | demand for this good increases as income increases; vice versa  |
| 2    | 37 | product shortage               | not enough product when P is below market equilibrium; QS<QD  |
| 2    | 38 | product surplus                | excess product when P is above market equilibrium; QS>QD  |
| 2    | 39 | substitutes in consumption     | products that consumers COULD purchase to replace other purchases; their cross price elasticity is positive                         |
| 2    | 40 | substitutes in production      | alternative products that producers COULD use their resources to make   |
| 2    | 41 | quantity demanded              | a singular amount purchased at a very specific price  |
| 2    | 42 | supply                         | a list of quantities a producer is willing and able to produce at <b>ALL</b> possible prices  |
| 3    | 43 | conglomerate                   | a corporation made up of a number of different companies that operate in diversified fields.  |
| 3    | 44 | corporation                    | a business structured as a separate legal entity often with a large number of shareholders  |
| 3    | 45 | economies of scale             | average total cost falling as output rises; it's cheaper per unit and more efficient to produce more                                |
| 3    | 46 | diseconomies of scale          | average total cost rising as output rises; per unit costs increase as output increases  |
| 3    | 47 | fixed input (cost)             | an input that is constant in the short run  |
| 3    | 48 | horizontal merger              | competing companies become one  |
| 3    | 49 | monopolistic competition       | market structure of many firms making differentiated products   |
| 3    | 50 | monopoly                       | market structure of one firm, absent of competition   |
| 3    | 51 | natural monopoly               | a monopoly with large economies of scale  |
| 3    | 52 | oligopoly                      | market structure of a few firms where competitive decisions interdependent  |
| 3    | 53 | partnership                    | a business structure with more than one owner   |
| 3    | 54 | perfect competition            | market structure of many producers making indistinguishable products; ex. commodities   |
| 3    | 55 | production function            | the relationship between inputs and the quantity of outputs they create   |
| 3    | 56 | sole proprietorship            | a business structure with one owner   |
| 3    | 57 | vertical merger                | companies that complement each other becoming one   |
| 4    | 63 | bond                           | a financial asset that pays a prescribed interest rate to the owner; similar to a loan  |
| 4    | 64 | common stock                   | a financial asset that represents ownership of a company; full voting rights  |
| 4    | 65 | deduction                      | money that may be subtracted from income for the purpose of income tax liability  |
| 4    | 66 | diversification                | spreading financial risk over multiple assets   |

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|   |     |                                |  |
|---|-----|--------------------------------|--|
| 4 | 67  | federal income tax             | tax on earning of all income earned in the United States   |
| 4 | 68  | federal withholding            | income withheld for the purpose of paying tax liability  |
| 4 | 69  | fiat money                     | money with no inherent value   |
| 4 | 70  | financial asset                | the representation of future payments; ex. Stock, bond, loan                                     |
| 4 | 71  | interest rate                  | the price of borrowing money(capital); the earnings for saving or lending                        |
| 4 | 72  | life insurance                 | financial asset that pays a beneficiary in the case of death                                     |
| 4 | 73  | liquid/liquidity               | the ability to change an asset to cash   |
| 4 | 74  | mortgage                       | a loan secured by real property; ex home or real estate  |
| 4 | 75  | mutual fund                    | pooling of money invested over a diverse set of equities or stock                                |
| 4 | 76  | payroll taxes                  | taxes on earnings for social security and Medicare; FICA taxes                                   |
| 4 | 77  | physical asset                 | illiquid form of value; ex. Real estate, metals, personal property, commodity                    |
| 4 | 78  | preferred stock                | a financial asset that represents ownership of a company; priority dividends and less risk       |
| 4 | 79  | progressive tax                | tax rate rises as income rises   |
| 4 | 80  | proportional tax               | tax rate is the same for all levels of income; Social Security taxes up to ~\$115,000            |
| 4 | 81  | regressive tax                 | tax rate falls as income rises; ex. Speeding ticket  |
| 4 | 82  | tax credit                     | a direct reduction in federal income tax   |
| 5 | 83  | aggregate expenditure AE       | the sum of macro spending; $C+G+I+(x-m)$   |
| 5 | 84  | aggregate income AI            | the sum of macro earnings; wages+profits+interests+rent  |
| 5 | 85  | capital investment (I)         | total firm expenditures on capital, net inventories (& new homes); it is based on borrowing      |
| 5 | 86  | consumer price index CPI       | most common measure of inflation; based on price of a fixed set of goods                         |
| 5 | 87  | consumption (C)                | total household expenditures on new goods and services   |
| 5 | 88  | cost push inflation            | inflation caused by an increase in overall production costs                                      |
| 5 | 89  | cyclical unemployment          | laborers lose jobs during an economic downturn   |
| 5 | 90  | deflation                      | any decrease in the over all price level   |
| 5 | 91  | demand pull inflation          | inflation caused by too much demand (C,I,G,M)  |
| 5 | 92  | disposable income              | income available to households for spending and saving; AI-NT                                    |
| 5 | 93  | frictional unemployment        | when job seekers and employers need time to find each other                                      |
| 5 | 94  | full/normal employment         | when cyclical unemployment is zero; 4-6% unemployment rate                                       |
| 5 | 95  | GDP per capita                 | productivity measurement of GDP/ population  |
| 5 | 96  | government purchases (G)       | total government expenditures on new goods and services; does not include transfer payments      |
| 5 | 97  | gross domestic product         | total value of final goods and services produced in a year                                       |
| 5 | 98  | hyperinflation                 | severe inflation   |
| 5 | 99  | inflation                      | any increase in the overall price level  |
| 5 | 100 | intermediate good              | good that is not final; will become part of another good   |
| 5 | 101 | labor force                    | 16yr or older who either are looking for work or employed; about 66% of adults in US             |
| 5 | 102 | net taxes (NT)                 | taxes-transfer payments; T-TP  |
| 5 | 103 | nominal                        | not adjusted for inflation   |
| 5 | 104 | price level                    | a composite measure of the price of all goods and services in an economy                         |
| 5 | 105 | productivity                   | production per resource (worker); macro output divided by economic input                         |
| 5 | 106 | real                           | adjusted for inflation   |
| 5 | 107 | recession                      | economic downturn of a minimum two consecutive decreasing GDP quarters                           |
| 5 | 108 | savings (financial investment) | household deposits into the financial market; meant for future spending                          |
| 5 | 109 | stagflation                    | unemployment and inflation at the same time  |
| 5 | 110 | structural unemployment        | skills of job seekers do not match jobs in their area  |
| 5 | 111 | transfer payment (TP)          | cash benefit from government to household; ex. Social security, unemployment, income assistance  |
| 5 | 112 | unemployment rate              | percent of the labor force without a job   |
| 6 | 113 | common pool problem            | consumption of an open access good at a faster rate than it can be replaced; abuse               |
| 6 | 114 | free rider problem             | trying to benefit from a public good without paying for it                                       |
| 6 | 115 | marginal social benefit MSB    | marginal private benefit plus marginal external benefit experienced by third parties             |
| 6 | 116 | marginal social cost MSC       | marginal private cost plus marginal external cost experienced by third parties                   |
| 6 | 117 | market failure                 | when a market yields a socially undesirable result   |
| 6 | 118 | moral hazard                   | one party takes risks that will be experienced by a third party; ex. rental car                  |
| 6 | 119 | open access good               | a good that is rival and nonexclusive; free but limited  |
| 6 | 120 | price ceiling                  | government imposed maximum price   |
| 6 | 121 | price floor                    | government imposed minimum price   |
| 6 | 122 | rival product                  | a product that can only benefit one consumer at a time   |
| 6 | 123 | socially optimal level         | $MSC=MSB$  |
| 6 | 124 | subsidy                        | government imposed financial incentive used to encourage behavior                                |
| 6 | 125 | tax                            | source of government revenue; government imposed financial incentive used to discourage behavior |
| 6 | 126 | tax incidence/burden           | the share of tax cost  |
| 7 | 127 | bank balance sheet             | T account showing assets and liabilities   |

