

## Bartram Trail Economics Vocabulary Database

UNIT	ID	Term	Definition
1	1	capital	equipment and tools used to produce
1	2	causation fallacy	assuming that because two things are correlated that one caused the other
1	3	ceteris paribus	all things being constant
1	4	composition fallacy	assuming that what is true for the individual is true for the whole
1	5	division of labor	organizing production into separate tasks
1	6	economics	the study of how people make decisions among trade-offs, or- how they use their limited resources to satisfy their unlimited wants.
1	7	entrepreneurship	organizational skills, motivation and risk taking needed to produce
1	8	factor market	market where firms purchase resources (FOPs) from households
1	9	labor	the physical and mental effort used to produce
1	10	land	natural resource or material used to produce (may be refined)
1	11	Macroeconomics	the study of the economic behavior of entire economies
1	12	marginal	incremental, one more, or the next one
1	13	market	any place where consumers and producers meet to exchange
1	14	Microeconomics	the study of the economic behavior of individuals and specific markets
1	15	opportunity cost	your most valuable trade-off
1	16	product market	market where households purchase goods and services from firms
1	17	production possibilities curve	an economic model used to illustrate limited resources and trade-offs
1	18	resource (FOP)	inputs needed for production
1	19	scarcity	the idea that products and resources are limited
1	20	secondary effects	any unintended consequence of an economic decision
1	21	specialization	focusing effort into one task
1	22	sunk cost	a cost already incurred that cannot be recovered and is now irrelevant to future decisions
1	23	trade-off	any choice forgone because of a decision
2	24	complements	products that consumers purchase to go with other purchases; their cross price elasticity is negative
2	25	cost	\$ measure of production inputs; supply issue
2	26	demand	the amount a consumer is willing and able to purchase at <b>ALL</b> possible prices; the relationship is -
2	27	elastic	relatively responsive to change; >1
2	28	inelastic	relatively unresponsive to change; <1
2	29	inferior good	demand decreases as income increases; vice versa
2	30	market demand	the sum of all individual demands in a particular market
2	31	market equilibrium (price)	where supply meets demand; the most product is sold; MC=MB, prevailing sale amount
2	32	market supply	the sum of all individual suppliers in a market
2	33	normal good	demand for this good increases as income increases; vice versa
2	34	perfectly elastic	flat demand curve; consumers are perfectly price sensitive
2	35	price elasticity of demand	the measure of <u>consumers'</u> responsiveness to price change
2	36	product shortage	not enough product when P is below market equilibrium; QS<QD
2	37	product surplus	excess product when P is above market equilibrium; QS>QD
2	38	substitutes in consumption	products that consumers COULD purchase to replace other purchases; their cross price elasticity is positive
2	39	substitutes in production	alternative products that producers COULD use their resources to make
2	40	supply	quantity a producer is willing and able to produce at <b>ALL</b> possible prices; the relationship is positive
3	41	conglomerate	A corporation made up of a number of different companies that operate in diversified fields.
3	42	corporation	a business structured as a separate legal entity often with a large number of shareholders
3	43	diminishing returns to scale	when output increases more slowly than input
3	44	economies of scale	when LR ATC declines as output increases
3	45	fixed input (cost)	an input that is constant in the short run
3	46	increasing returns to scale	when output increases faster than input
3	47	marginal cost (MC)	change in TC / change in Q or output; change in VC / MPL
3	48	marginal revenue (MR)	the marginal benefit of selling one more output; this is often price
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	optimal output (profit max)	where MR = MC
3	54	partnership	a business structure with more than one owner
3	55	perfect competition	market structure of many producers making indistinguishable products; ex. commodities
3	56	production function	the relationship between inputs and the quantity of outputs they create
3	57	sole proprietorship	a business structure with one owner
3	58	total cost (TC)	fixed cost + variable cost (FC+VC)
3	59	total revenue (TR)	price x quantity; PxQ; total expenditures (TE)
3	60	variable input (cost)	an input that is able to be changed
4	61	bond	a financial asset that pays a prescribed interest rate to the owner; similar to a loan

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4	62	common stock	a financial asset that represents ownership of a company; full voting rights
4	63	deduction	money that may be subtracted from income for the purpose of income tax liability
4	64	diversification	spreading financial risk over multiple assets
4	65	federal income tax	tax on earning of all income earned in the United States
4	66	federal withholding	income withheld for the purpose of paying tax liability
4	67	fiat money	money with no inherent value
4	68	financial asset	the representation of future payments; ex. Stock, bond, loan
4	69	interest rate	the price of borrowing money(capital); the earnings for saving or lending
4	70	life insurance	financial asset that pays a beneficiary in the case of death
4	71	liquid/liquidity	the ability to change an asset to cash
4	72	mortgage	a loan secured by real property; ex home or real estate
4	73	mutual fund	pooling of money invested over a diverse set of equities or stock
4	74	payroll taxes	taxes on earnings for social security and Medicare; FICA taxes
4	75	physical asset	illiquid form of value; ex. Real estate, metals, personal property, commodity
4	76	preferred stock	a financial asset that represents ownership of a company; priority dividends and less risk
4	77	progressive tax	tax rate rises as income rises
4	78	proportional tax	tax rate is the same for all levels of income; Social Security taxes up to ~\$115,000
4	79	regressive tax	tax rate falls as income rises; ex. Speeding ticket
4	80	tax credit	a direct reduction in federal income tax
5	96	aggregate expenditure AE	the sum of macro spending; $C+G+I+(x-m)$
5	97	aggregate income AI	the sum of macro earnings; $wages+profits+interests+rent$
5	98	capital investment (I)	total firm expenditures on capital, net inventories (& new homes); it is based on borrowing
5	99	consumer price index CPI	most common measure of inflation; based on price of a fixed set of goods
5	100	consumption (C)	total household expenditures on new goods and services
5	101	cost push inflation	inflation caused by an increase in overall production costs
5	102	cyclical unemployment	laborers lose jobs during an economic downturn
5	103	deflation	any decrease in the over all price level
5	104	demand pull inflation	inflation caused by too much demand (C,I,G,M)
5	105	disposable income	income available to households for spending and saving; $AI-NT$
5	106	frictional unemployment	when job seekers and employers need time to find each other
5	107	full/normal employment	when cyclical unemployment is zero; 4-6% unemployment rate
5	108	GDP per capita	productivity measurement of $GDP / population$
5	109	government purchases (G)	total government expenditures on new goods and services; does not include transfer payments
5	110	gross domestic product	total value of final goods and services produced in a year
5	111	hyperinflation	severe inflation
5	112	inflation	any increase in the overall price level
5	113	intermediate good	good that is not final; will become part of another good
5	114	labor force	16yr or older who either are looking for work or employed; about 66% of adults in US
5	115	net taxes (NT)	taxes-transfer payments; $T-TP$
5	116	nominal	not adjusted for inflation
5	117	price level	a composite measure of the price of all goods and services in an economy
5	118	productivity	production per resource (worker); macro output divided by economic input
5	119	real	adjusted for inflation
5	120	recession	economic downturn of a minimum two consecutive decreasing GDP quarters
5	121	savings (financial investment)	household deposits into the financial market; meant for future spending
5	122	stagflation	unemployment and inflation at the same time
5	123	structural unemployment	skills of job seekers do not match jobs in their area
5	124	transfer payment (TP)	cash benefit from government to household; ex. Social security, unemployment, income assistance
5	125	unemployment rate	percent of the labor force without a job
6	81	common pool problem	consumption of an open access good at a faster rate than it can be replaced; abuse
6	82	externality	a cost or benefit that falls on a third party
6	83	free rider problem	trying to benefit from a public good without paying for it
6	84	marginal social benefit MSB	marginal private benefit plus marginal external benefit experienced by third parties
6	85	marginal social cost MSC	marginal private cost plus marginal external cost experienced by third parties
6	86	market failure	when a market yields a socially undesirable result
6	87	moral hazard	one party takes risks that will be experienced by a third party; ex. rental car
6	88	open access good	a good that is rival and nonexclusive; free but limited
6	89	price ceiling	government imposed maximum price
6	90	price floor	government imposed minimum price
6	91	rival product	a product that can only benefit one consumer at a time
6	92	socially optimal level	$MSC=MSB$
6	93	subsidy	government imposed financial incentive used to encourage behavior

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6	94	tax	source of government revenue; government imposed financial incentive used to discourage behavior
6	95	tax incidence/burden	the share of tax cost
7	126	bank balance sheet	T account showing assets and liabilities
7	127	discount rate (window)	the interest rate charged to banks by the FED for short term loans
7	128	federal funds rate	the interest rate charged between banks for short term loans
7	129	fiscal policy	the use of government spending, transferring, taxing and borrowing to steer the macro economy
7	130	monetary policy	central bank regulation of the money supply to steer the macro economy
7	131	money supply	M1; cash + checking accounts + travelers checks
7	132	open market operations (OMOs)	the buying and selling of gov't securities (bonds)
7	133	Phillips curve (SR and LR)	graph showing the trade off between unemployment and inflation
7	134	required reserve ratio	the % of a bank's checkable deposits that must be held at the FED
7	135	The Federal Reserve (FED)	the independent agency that creates monetary policy
8	136	absolute advantage	being able to produce at a lower cost
8	137	comparative advantage	being able to produce at a lower opportunity cost
8	138	exchange rate	the price of purchasing foreign currency
8	139	foreign exchange	foreign money needed to carry out international transactions
8	140	net exports	exports minus imports; X-M