

Bartram Trail Economics Vocabulary Database

UNIT	ID	Term	Definition
1	1	absolute advantage	being able to produce at a lower cost
1	2	Adam Smith	father of economics; believed in order of an "invisible hand"
1	3	capital	equipment and tools used to produce
1	4	causation fallacy	assuming that because two things are correlated that one caused the other
1	5	ceteris paribus	all things being constant
1	6	command economy	where the government makes the decisions on production and allocation of resources
1	7	comparative advantage	being able to produce at a lower opportunity cost
1	8	composition fallacy	assuming that what is true for the individual is true for the whole
1	9	division of labor	organizing production into separate tasks
1	10	economics	the study of how people make decisions among trade-offs, or- how they use their limited resources to satisfy their unlimited wants.
1	11	entrepreneurship	organizational skills, motivation and risk taking needed to produce
1	12	factor market	market where firms purchase resources (FOPs) from households
1	13	labor	the physical and mental effort used to produce
1	14	land	natural resource or material used to produce (may be refined)
1	15	Macroeconomics	the study of the economic behavior of entire economies
1	16	marginal	incremental, one more, or the next one
1	17	market	any place where consumers and producers meet to exchange
1	18	market economy	where consumers and producers make the decision on production and allocation of resources
1	19	Microeconomics	the study of the economic behavior of individuals and specific markets
1	20	opportunity cost	your most valuable trade-off
1	21	product market	market where households purchase goods and services from firms
1	22	production possibilities curve	an economic model used to illustrate limited resources and trade-offs
1	23	resource (FOP)	inputs needed for production
1	24	scarcity	the idea that products and resources are limited
1	25	specialization	focusing effort into one task
1	26	trade-off	any choice forgone because of a decision
2	27	complements	products that consumers purchase to go with other purchases; their cross price elasticity is negative
2	28	cost	\$ measure of production inputs; supply issue
2	29	demand	a list of the quantities a consumer is willing to purchase at ALL possible prices
2	30	diminishing marginal returns	one resource is fixed so production efficiency is lost; this causes increasing marginal cost
2	31	equilibration	market quantity and price appearing as a result of consumer and producer incentives
2	32	increasing marginal costs	per unit costs rise and creates incentive to supply more only if price rises to match it
2	33	inferior good	demand decreases as income increases; vice versa
2	34	market demand	the sum of all individual demands in a particular market
2	35	market equilibrium	where supply meets demand; the most product is sold; MC=MB, prevailing sale amount
2	36	market supply	the sum of all individual suppliers in a market
2	37	normal good	demand for this good increases as income increases; vice versa
2	38	product shortage	not enough product when P is below market equilibrium; QS<QD
2	39	product surplus	excess product when P is above market equilibrium; QS>QD
2	40	quantity demanded	a singular amount purchased at a very specific price
2	41	substitutes in consumption	products that consumers COULD purchase to replace other purchases; their cross price elasticity is positive
2	42	substitutes in production	alternative products that producers COULD use their resources to make
2	43	supply	a list of quantities a producer is willing and able to produce at ALL possible prices
3	44	conglomerate	a corporation made up of a number of different companies that operate in diversified fields.
3	45	corporation	a business structured as a separate legal entity often with a large number of shareholders
3	46	diseconomies of scale	average total cost rising as output rises; per unit costs increase as output increases
3	47	economies of scale	average total cost falling as output rises; it's cheaper per unit and more efficient to produce more
3	48	fixed input (cost)	an input that is constant in the short run
3	49	horizontal merger	competing companies become one
3	50	monopolistic competition	market structure of many firms making differentiated products
3	51	monopoly	market structure of one firm, absent of competition
3	52	natural monopoly	a monopoly with large economies of scale
3	53	oligopoly	market structure of a few firms where competitive decisions interdependent
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	vertical merger	companies that complement each other becoming one
4	59	aggregate expenditure AE	the sum of macro spending; C+G+I+(x-m)
4	60	aggregate income AI	the sum of macro earnings; wages+profits+interests+rent
4	61	capital investment (I)	total firm expenditures on capital, net inventories (& new homes); it is based on borrowing

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4	62	consumer price index CPI	most common measure of inflation; based on price of a fixed set of goods
4	63	consumption (C)	total household expenditures on new goods and services
4	64	cost push inflation	inflation caused by an increase in overall production costs
4	65	cyclical unemployment	laborers lose jobs during an economic downturn
4	66	deflation	any decrease in the overall price level
4	67	demand pull inflation	inflation caused by too much demand (C,I,G,M)
4	68	disposable income	income available to households for spending and saving; AI-NT
4	69	frictional unemployment	when job seekers and employers need time to find each other
4	70	full/normal employment	when cyclical unemployment is zero; 4-6% unemployment rate
4	71	GDP per capita	productivity measurement of GDP/ population
4	72	government purchases (G)	total government expenditures on new goods and services; does not include transfer payments
4	73	gross domestic product	total value of final goods and services produced in a year
4	74	hyperinflation	severe inflation
4	75	inflation	any increase in the overall price level
4	76	intermediate good	good that is not final; will become part of another good
4	77	labor force	16yr or older who either are looking for work or employed; about 66% of adults in US
4	78	net taxes (NT)	taxes-transfer payments; T-TP
4	79	nominal	not adjusted for inflation
4	80	price level	a composite measure of the price of all goods and services in an economy
4	81	productivity	production per resource (worker); macro output divided by economic input
4	82	real	adjusted for inflation
4	83	recession	economic downturn of a minimum two consecutive decreasing GDP quarters
4	84	savings (financial investment)	household deposits into the financial market; meant for future spending
4	85	stagflation	unemployment and inflation at the same time
4	86	structural unemployment	skills of job seekers do not match jobs in their area
4	87	transfer payment (TP)	cash benefit from government to household; ex. Social security, unemployment, income assistance
4	88	unemployment rate	percent of the labor force without a job
5	89	bank balance sheet	T account showing assets and liabilities
5	90	discount rate (window)	the interest rate charged to banks by the FED for short term loans
5	91	federal funds rate	the interest rate charged between banks for short term loans
5	92	fiscal policy	the use of government spending, transferring, taxing and borrowing to steer the macro economy
5	93	monetary policy	central bank regulation of the money supply to steer the macro economy
5	94	money supply	M1; cash + checking accounts + travelers checks
5	95	open market operations (OMOs)	the buying and selling of gov't securities (bonds)
5	96	Phillips curve (SR and LR)	graph showing the trade off between unemployment and inflation
5	97	required reserve ratio	the % of a bank's checkable deposits that must be held at the FED
5	98	The Federal Reserve (FED)	the independent agency that creates monetary policy
6	99	common pool problem	consumption of an open access good at a faster rate than it can be replaced; abuse
6	100	externality	a cost or benefit that falls on a third party
6	101	free rider problem	trying to benefit from a public good without paying for it
6	102	marginal social benefit MSB	marginal private benefit plus marginal external benefit experienced by third parties
6	103	marginal social cost MSC	marginal private cost plus marginal external cost experienced by third parties
6	104	market failure	when a market yields a socially undesirable result
6	105	moral hazard	one party takes risks that will be experienced by a third party; ex. rental car
6	106	open access good	a good that is rival and nonexclusive; free but limited
6	107	price ceiling	government imposed maximum price
6	108	price floor	government imposed minimum price
6	109	rival product	a product that can only benefit one consumer at a time
6	110	socially optimal level	MSC=MSB
6	111	subsidy	government imposed financial incentive used to encourage behavior
6	112	tax	source of government revenue; government imposed financial incentive used to discourage behavior
6	113	tax incidence/burden	the share of tax cost
7	114	bond	a financial asset that pays a prescribed interest rate to the owner; similar to a loan
7	115	common stock	a financial asset that represents ownership of a company; full voting rights
7	116	deduction	money that may be subtracted from income for the purpose of income tax liability
7	117	diversification	spreading financial risk over multiple assets
7	118	exchange rate	the price of purchasing foreign currency
7	119	federal income tax	tax on earning of all income earned in the United States
7	120	federal withholding	income withheld for the purpose of paying tax liability
7	121	fiat money	money with no inherent value
7	122	financial asset	the representation of future payments; ex. Stock, bond, loan

