**GLOSSARY FOR ECONOMICS**

**STRAND: ECONOMIC FUNDAMENTALS**

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| 1. **absolute advantage** | **occurs when one nation can produce an item with fewer resources or more efficiently than another nation** |
| 1. **command economy** | **an economic system in which the basic economic questions are generally answered by the government** |
| 1. **comparative advantage** | **ability to produce an item at a lower *opportunity cost*** |
| 1. **cost/benefit analysis** | **a tool used to evaluate the alternatives in economic decision making** |
| 1. **embargos** | **governmental bans on trade with one or more other nations** |
| 1. **entrepreneurship** | **the process of human resources assuming the risk of organizing other resources to produce *goods* and *services*** |
| 1. **factors of production** | **the natural resources, human resources, capital resources, and *entrepreneurship* required to produce any *good* or *service*** |
| 1. **goods** | **physical products businesses produce; tangible items of value** |
| 1. **incentives** | **in *market economies*, the reasons for increasing profit, interest, wages, and rent** |
| 1. **market economy** | **an economic system in which the basic economic questions are generally answered by consumers and producers** |
| 1. **mixed economy** | **an economic system in which the basic economic questions are answered by a mixture of *market, command,* and *traditional economies*** |
| 1. **opportunity cost** | **the best alternative given up when making a choice** |
| 1. **PACED decision making model** | **a five-step process for making economic choices: (1) state the problem, (2) list the alternatives, (3) state the criteria,**  **(4) evaluate the criteria, (5) make a decision** |
| 1. **preservation of standards (protectionism)** | **the practice of developing domestic industries by protecting them from foreign competition** |
| 1. **quotas** | **limits on how much of a particular *good* can be brought into a country during a specific period of time** |
| 1. **scarcity** | **the result of an inability to satisfy unlimited wants with limited resources** |
| 1. **services** | **activities performed that satisfy people’s wants or needs** |
| 1. **specialization** | **occurs when an individual, business, or country produces a narrower range of *goods* and *services* than it consumes** |
| 1. **subsidies** | **governmental payments to an individual or business to encourage or protect particular economic activities** |
| 1. **tariffs** | **taxes on imports** |
| 1. **tradeoffs** | **a choice that involves giving up some of one thing to have more of another** |
| 1. **traditional economy** | **an economic system in which the basic economic questions are answered by tradition and custom** |
| 1. **voluntary exchange** | **the process of trading that occurs in markets** |

**GLOSSARY FOR ECONOMICS**

**STRAND: MICROECONOMICS**

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| 1. **cartel** | **an organization of sellers who wish to decrease or eliminate competition by limiting its output** |
| 1. **corporation** | **a business owned by shareholders but treated by the law as if it were one person** |
| 1. **demand** | **the quantities of a particular *good* or *service* consumers are willing and able to buy at different possible prices** |
| 1. **demand curve** | **the graphic representation of *demand*** |
| 1. **division of labor** | **the division of a complex procedure into small tasks, enabling workers to increase output through *specialization*** |
| 1. **equilibrium price** | **price at which the *quantity demanded* is equal to the *quantity supplied*** |
| 1. **fixed costs** | **costs that remain the same regardless of how much production a business firm does** |
| 1. **hybrid business** | **a form of business ownership that combines select features of the basic forms of ownership to reduce taxation and/or limit liability** |
| 1. **microeconomics** | **the study of individual consumers and businesses** |
| 1. **monopolistic competition** | **a market that has a large number of sellers who produce *goods* and *services* that are essentially alike, but not identical** |
| 1. **monopoly** | **a market structure in which a single seller controls an entire industry** |
| 1. **non-profit** | **a tax-exempt business organization created to provide public service** |
| 1. **oligopoly** | **a market structure dominated by a small number of sellers** |
| 1. **partnership** | **a business organization that is owned by two or more people** |
| 1. **perfect competition** | **an ideal market condition that includes a large number of sellers of identical *goods* and *services* and in which no one seller controls *supply* or prices** |
| 1. **quantity demanded** | **the amount of a *good* or *service* that consumers are willing and able to purchase at a particular price** |
| 1. **quantity supplied** | **the amount of a *good* or *service* that producers are willing and able to supply at a particular price** |
| 1. **shortages** | **the result of *quantities demanded* exceeding *quantities supplied*** |
| 1. **sole proprietorship** | **a business owned by one person** |
| 1. **supply** | **the quantities of a particular *good* or *service* a producer is willing and able to sell at different possible prices** |
| 1. **supply curve** | **the graphic representation of *supply*** |
| 1. **surpluses** | **the result of *quantities supplied* exceeding *quantities demanded*** |
| 1. **variable costs** | **costs that increase as the number of units produced increases** |

**GLOSSARY FOR ECONOMICS**

**STRAND: MACROECONOMICS**

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| 1. **budget deficit** | **a period of time when government expenditures exceed revenues** |
| 1. **Consumer Price Index (CPI)** | **a measure of changes in the prices of market basket items, specific *goods* and *services* commonly purchased by a typical family** |
| 1. **contraction** | **a phase of the business cycle during which economic activity is slowing** |
| 1. **contractionary** | **policy implemented to decrease the money supply in an economy** |
| 1. **cooperatives** | **organizations consisting of people who pool their resources to buy and sell more efficiently than they could independently** |
| 1. **cyclical unemployment** | **unemployment associated with changes in the overall rate of economic activity** |
| 1. **depression** | **a *contraction* of the business cycle during which economic activity is far below its potential capacity for an extended period of time; a prolonged *recession* with high unemployment lasting more than a year** |
| 1. **divisibility** | **the capacity to be separated into parts** |
| 1. **durability** | **the ability of a product to be reused** |
| 1. **expansion** | **a phase of the business cycle during which economic activity is increasing** |
| 1. **expansionary** | **policy implemented to increase the money supply in an economy** |
| 1. **fiscal policy** | **the use of taxation and government spending to influence the economy** |
| 1. **frictional unemployment** | **temporary unemployment caused by factors that are not related to the business cycle** |
| 1. **Gross Domestic Product (GDP)** | **the market value of final *goods* and *services* produced within a country during a year** |
| 1. **inflation** | **rise in the general level of prices; an economic period where prices are rising and purchasing power is decreased** |
| 1. **macroeconomics** | **the study of the economy as a whole** |
| 1. **measure of value** | **using the function of money to compare the market value of different *goods* and *services*** |
| 1. **medium of exchange** | **anything that is generally accepted as payment for *goods* and *services*** |
| 1. **monetary policy** | **a central bank’s plan for regulating a nation’s money supply and the availability of credit in order to accomplish certain economic goals** |
| 1. **national debt** | **the total amount of money the government owes** |
| 1. **off-shoring** | **when an organization contracts some of its work out to another individual or company in another country** |
| 1. **outsourcing** | **when an organization contracts some of its work out to another individual or company** |
| 1. **peak** | **a phase of the business cycle during which economic activity is at its highest** |
| 1. **portability** | **the general characteristic of being readily transportable from one location to another** |
| 1. **progressive tax** | **a tax that takes a larger percentage of a higher income and a smaller percentage of a lower income** |
| 1. **proportional tax** | **a tax that takes the same percentage of all incomes** |
| 1. **Real Gross Domestic Product** | **current *Gross Domestic Product* adjusted for *inflation*** |
| 1. **recession** | **a *contraction* of the business cycle during which economic activity slows for at least a period of six months** |
| 1. **regressive tax** | **a tax that takes a larger percentage of a lower income and a smaller percentage of a higher income** |
| 1. **seasonal unemployment** | **unemployment caused by seasonal changes in the weather or in the *demand* for certain products** |
| 1. **store of value** | **a characteristic of a *medium of exchange* that allows worth to be retained** |
| 1. **structural unemployment** | **unemployment caused by technological innovations and changes in consumer *demands*** |
| 1. **trough** | **a phase of the business cycle during which economic activity is at its lowest** |
| 1. **underemployment** | **workers are overqualified for their jobs or work fewer hours than they prefer** |

**GLOSSARY FOR ECONOMICS**

**STRAND: PERSONAL FINANCIAL MANAGEMENT**

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| 1. **70/20/10 rule** | **a rule of thumb that states the following: live on 70% of income, save 20%, and invest 10%** |
| 1. **compound interest** | **interest earned or paid on the principal and previously earned interest** |
| 1. **extrinsic** | **tangible factors that are desirable because of the recipient’s personal values** |
| 1. **intrinsic** | **non-monetary factors that have no financial worth, but are desirable because of the recipient’s personal values** |
| 1. **phishing** | **a scam that uses online technology to deceive an individual into disclosing personal information** |
| 1. **risk management** | **an organized strategy for controlling financial loss** |
| 1. **Rule of 72** | **a technique for estimating the number of years required to double your money at a given rate of return (72 divided by interest rate equals number of years)** |
| 1. **simple interest** | **interest earned or paid on principal only (P x R x T)** |
| 1. **time value of money** | **comparison of a lump sum of money, or series of equal payments, between two different time periods (e.g., present and future), assuming a specified interest rate and time period** |