GLOSSARY OF ECONOMIC TERMS

Absolute Advantage: The ability of a party (an individual, or firm, or country) to produce a greater quantity of a good, product, or service than competitors, using the same amount of resources.

Anchoring: Any aspect of the environment that has no direct relevance to a decision but that nonetheless affects people's judgments.

Choice: selecting between alternatives or making a decision because of scarcity.

Civilian Labour Force Participation Rate: The share of the population working or looking for work.

Comparative Advantage: The ability to produce goods and services at a lower opportunity cost than that of others.

Consumer Price Index (CPI): An index of the variation in prices paid by typical consumers for retail goods and other items.

Costs: opportunity costs are the value of the foregone alternative given your choice.

Demand: The amount demanded by consumers at each and every price for a particular good or service in a given time.

Determinants of Demand Factors that cause the demand curve to shift, such as changes in consumer income, consumer tastes and preferences, prices of related goods, number of buyers in the market, and consumer expectations.

Effects: Direct and indirect, primary and secondary, short- and long-run, and intended and unintended consequences.

Efficiency: A state in which no one can be made better off without making someone worse off.

Equilibrium Price: the price that brings balance between demand and supply and quantity demanded equals quantity supplied.

Export: a product or service produced domestically but sold internationally.

Federal Funds Rate: The interest rate at which a depository institution lends funds that are immediately available to another depository institution overnight.

Free Trade: A policy to eliminate discrimination against imports and exports. Buyers and sellers from different economies may voluntarily trade without a government applying tariffs, quotas, subsidies or prohibitions on goods and services.

GDP: The total value of goods produced and services provided in a country during one year.

Hyperinflation: A very rapid rise in the overall price level; an extremely high rate of inflation

Import: a product or service produced internationally but sold domestically.

Incentives: something that encourages (positive) or discourages (negative) behaviour and influences decisions.

Inflation: The change in the price level over time.

Law of Demand: As price goes up or down, the amount demanded goes in the other direction. Consumers live in a world of substitute goods and have limited income.

Law of Supply: As price goes in up or down, the amount supplied follows in the same direction. Producers pursue profits. They'd have to shutdown if they did not.

Loss Aversion: People's tendency to prefer avoiding losses to acquiring equivalent gains.

Losses: Negative profits, reveal that businesses are not providing value to consumers given costs and overall market conditions and government considerations.

Marginal Thinking: Making decisions based on the balance of additional benefits and additional costs.

Monetary Policy: Central bank actions involving the use of interest rate or money supply tools to achieve such goals as maximum employment and stable prices.

Net Exports: exports less imports.

Nominal GDP: the total value of goods produced and services provided in a country during one year not adjusted for inflation.

GLOSSARY OF ECONOMIC TERMS

Overnight Rate: The interest rate at which a depository institution (generally banks) lend or borrow funds with another depository institution in the overnight market.

Price ceiling: A government-mandated maximum or ceiling price that can be charged for a good or service. Rent control is an example.

Price floor: A government-mandated minimum or floor price that can be charged for a good or service. Minimum wage is an example.

Productivity: The ratio of output per worker per unit of time.

Profits: Total revenue less total costs, positive profits reveal that businesses are providing consumers with value relative to costs given current market conditions and government considerations.

Property Rights: an assessment of the ability of individuals to accumulate private property, secured by clear laws that are fully enforced by the state. It measures the degree to which a country's laws protect private property rights and the degree to which its government enforces those laws.

Real GDP: The total value of goods produced and services provided in a country during one year adjusted for inflation.

Reserves (bank): The sum of cash that banks hold in their vaults and the deposits they maintain with Federal Reserve banks.

Trade: Voluntary exchange of mutual benefits.

Scarcity: The condition that exists when wants, needs, and desires outstrip resources and require decisions.

Shortage: a price in which quantity demanded is greater than quantity supplied.

Stimulus policy: Government uses fiscal or monetary policy to boost production, increase income and employment, stimulate spending and investment. Controversy exists about whether it is effective.

Subsidy: A payment made by the government to support a business or market. No good or service is provided in return for the payment

Sunk Costs: Costs that have been incurred and cannot be removed. They do not factor into present decisions, on the margin.

Supply: The amount supplied by producers at each and every price for a particular good or service in a given time.

Determinants of Supply Factors that cause the supply curve to shift, such as changes in input prices, taxes or subsidies, technology, producer expectations, and the number of sellers.

Surplus: a price in which quantity supplied is greater than quantity demanded.

Unemployment Rate: An index of the variation in prices paid by typical consumers for retail goods and other items.

Unintended Consequences: Outcomes that are not the ones foreseen and intended by a purposeful action.

Wealth: In the narrow sense, wealth includes the value of all assets owned by individuals, businesses, communities, and nations. Economists broaden the definition and include anything that is valued and is scarce.

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