Economics Glossary

Advertising: To announce or praise (a product, service, etc.) in some public medium of communication in order to induce people to buy or use it.

Appreciation: An increase in the value of an asset.

Assets: Items of ownership convertible into cash; total resources of a person or business.

Average cost: The amount spent on producing each unit of output. The average cost is calculated by dividing the total cost by the output.

Balance of trade: The difference between the value of exports and imports. Calculated as the value of exports minus the value of imports.

Balanced budget: The situation where income matches expenditure.

Barriers: This generally refers to factors inhibiting the free movement of resources to trade, e.g. restrictive laws relating to the movement of goods, capital and labor between countries or regions.

Barter: The direct exchange of goods and services without the use of money.

Capital: Human-made goods that are used to produce other goods.

Chain of distribution: The link between raw material suppliers, manufacturers, wholesalers and retailers.

Chain of production: The different stages of making, distributing and selling a good or service.

Competition: Efforts among companies to win more business.

Competition-based pricing: When prices are determined by what your competitors are doing or plan to do.

Consumer: One who buys and/or uses goods and services.

Consumer goods: Items used by households.

Consumer loyalty: Attachment by consumers to particular goods and services.

Copyright: The sole legal right to sell a good, usually literary, musical or artistic work.

Cost of production: Total costs. Costs are made up of fixed costs and variable costs including land, labor and capital resources.

Demand: The amount of a good or service that buyers are willing and able to purchase at various prices in a given time period.

Demographics: The study of trends in population.

Deregulation: The removal of controls on a particular market aimed at improving the economic efficiency of that market.

Division of labor: The separation of the total work required to produce a good or service into individual interrelated tasks, so that each worker can become more skilled at a particular job. The use of a division of labor results in increased efficiency and productivity.

Economic growth: Typically, an increase in a country's output of goods and services.

Embargo: A ban placed on the export or import of a certain good or on trade with a particular country or countries.

Entrepreneur: A person who organizes and manages any enterprise, especially a business, usually with considerable initiative and risk.

Equity: The monetary value of a property or business beyond any amounts owed on it in mortgages, claims, liens, etc., or shares of stock in a company.

Excess demand: Consumers want to buy more than producers are prepared to sell at a certain price.

Excess supply: Producers are prepared to sell more than consumers are willing to buy at a certain price.

Exports: Goods, services and capital assets sold to other countries.

Factor costs: The value of output measured in terms of the cost of the productive resources used to produce it.

Free enterprise system: People can own and run their own business.

Free trade: Trade or commerce carried on without such restrictions as import duties, export bounties, domestic production subsidies, trade quotas or import licenses.

Globalization: The trend of money and businesses to move beyond their own markets to other markets around the globe.

Goods: Objects that are capable of satisfying human wants.

Human capital: The accumulated skill, knowledge and expertise of workers.

Imports: Goods, services and capital assets purchased from other countries.

Income: Payments received by households, businesses and governments in a given time period that may be spent or saved.

Inflation: An upward movement in the general level of prices that results in a reduction in the amount of goods and services that can be purchased with a given amount of money.

Interdependent: Each country needs the other countries to meet the needs and wants of its people.

Interest: A charge for a loan that is usually a percentage of the amount loaned, or the amount paid to an individual or business for money deposited in a bank.

Labor Force: Those who are employed or are available for work.

Land: All natural resources (minerals and other raw materials).

Manufacturing: Making large amounts of goods.

Market: Exchange of goods, services and resources between buyers and sellers.

Market economy: An economic system that has the following characteristics: private ownership of goods and the productive resources, freedom of individuals to make economic choices, the use of prices to allocate resources and a limited economic role for government.

Mercantilism: The theory and system of political economy prevailing in Europe after the decline of feudalism, based on national policies of accumulating bullion, establishing colonies and a merchant marine, and developing industry and mining to attain a favorable balance of trade.

Open economy: An economy that engages in international trade.

Opportunity cost: The second-best choice when you make a decision; what you could have gotten if you made a different choice.

Output: The goods and services produced as a result of economic activity.

Ownership: The people or institutions that legally possess an item.

Prices: The amount of money for which goods and services are bought and sold.

Producer: The makers of goods using productive resources.

Production: The output of goods and services.

Productive Resources: The resources used to make goods and services (i.e., natural resources, human resources and capital goods.

1. **Natural Resources** – The resources supplied by nature. They include ores, trees, land and the other things nature provides.
2. **Human Resources** – The talents and skills of human beings that contribute to the production of goods and services.
3. **Capital Goods** – Human-made materials needed to produce goods and services. Capital goods include buildings, machinery, equipment and tools.

Profits: The total revenue received by a business firm minus its total cost of production.

Property rights: The conditions of ownership, including the rights and restrictions regarding use, ownership and sale.

Revenue: The money received from the sale of output.

Resources: Inputs used in the production of goods and services.

Sales: The amount of goods sold in a given period of time.

Satisfaction: Pleasure derived from consuming a good.

Savings: That part of disposable income not spent on goods and services.

Scarcity: The concept of many individuals desiring something of limited availability. Scarcity implies that not all of society's goals can be attained at the same time, so trade-offs of one good against others (opportunity cost) are made.

Specialization: Producing only a few products instead of many different products.

Stocks: Raw materials, work in progress and unsold consumer goods, or shares in a company that are available for sale.

Stock Exchange (Stock Market): A market for the sale and purchase of second-hand shares and securities.

Supply: The amount of an item produced for sale.

Tariffs: Taxes generally on goods imported or exported.

Unit cost: Total cost divided by output.

Variables: Economic items that change and take different values.

Wages: A payment for labor.

Wealth: A stock of all those assets capable of earning an income. Wealth can be human or material.

Work: The use of mental or physical effort to produce a good or service.

World Bank: The bank aims to encourage capital investment for reconstruction and development in member countries.

World Trade Organization (WTO): The only international organization dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.