

GLOSSARY

Absolute advantage – a situation in which a country is able to produce a particular good or service at a lower cost (using fewer resources) relative to other countries

Absolute poverty – a situation in which an individual does not have enough income to satisfy their most basic needs of food, clean water, clothing, shelter, education and healthcare

Age distribution – the proportion of people within a population who fall into certain age groups, for example, young (0–14 years), of working age (15–65 years) and old (65 years and above)

Ageing population – the increase in the median age of the population of a country over time

Aggregate demand (AD) – the total demand for all goods and services in an economy from consumption (C), investment (I), government spending (G) and net exports (X – M)

Aggregate supply (AS) – the total supply of goods and services in an economy

Allocation of resources – the way resources are allocated to the production of the goods and services most wanted by consumers

Appreciation – a rise in the value of a currency due to market forces

Assets – items of value, such as property and land

Austerity – a situation in which government spending is cut and taxes are increased in a country, usually to meet debt repayment obligations

Average cost (AC) – the cost of producing a unit (unit cost of production). It is calculated by dividing total cost by output or quantity.

Average fixed costs (AFC) – the fixed costs per unit

Average revenue (AR) – the revenue per unit sold

Average variable costs (AVC) – the variable costs per unit

Bailout loan – a loan provided in order to prevent payment default

Balance of payments – a record of the flows of money into and out of a country

Balance of trade – see Trade in goods

Balance of trade in services – see Trade in services

Balanced budget – revenue = spending

Barriers to entry – ways in which new firms are prevented from entering a particular industry

Barriers to trade – restrictions imposed by a government that prevent the free trade of exports and imports between countries

Barter – the act of trading goods or services between two or more parties without the use of money

Base rate (or bank rate) – the interest rate that a central bank will charge to lend money to commercial banks and on which other financial organisations base their interest rates

Base year – a year which is allocated a value of 100 index points against which other years are compared

Basic needs – what is needed for survival, such as food, shelter, water and clothing

Basic pay – the amount of money received before any additional payments are added or any deductions, such as income tax, are made

Basket of goods – a selection of goods and services normally purchased by a typical (ordinary) household which is used in the calculation of the consumer prices index to measure inflation

Birth rate – the number of live births for every 1000 people in a country in a year

Black market – an illegal market in which goods and services are traded without any government controls

Boom – a period of high and rising real GDP in the economy over time

Borrowing – being lent money with the requirement to pay it back in an agreed period of time, very often with interest

Budget deficit – spending > revenue

Budget surplus – revenue > spending

Business confidence – the extent to which businesses feel optimistic about the future: if business confidence is high, producers are likely to invest more in capital equipment to expand output

Business cycle – see Economic cycle

Capital – includes all man-made resources

Capital account (also called the financial account) – a record of the money flowing into and out of a country from investments, savings and foreign currency transactions to stabilise the exchange rate

Capital goods – equipment and machinery purchased and used by firms for the purpose of increasing production of goods and services

Capital intensive production – where a high level of investment is required, such as in machinery,

equipment, vehicles, etc. compared to the other factors of production

Central bank – responsible to its government for controlling the country's money supply as the issuer of notes and coins and the level of reserves a commercial bank must hold. It also sets the rate of interest.

Ceteris paribus – all other things remaining the same

Claimant count – a measure of unemployment that is calculated by counting all individuals who receive an unemployment benefit as being unemployed

Collective bargaining – a process of negotiation over pay and conditions between a trade union, representing a group of workers, and employers

Commercial bank – financial institution in which individuals and firms can save their money and also obtain loans

Comparative advantage – a situation in which a country is able to produce a particular good or service at a lower opportunity cost (giving up fewer resources) relative to other countries

Competition – where different firms are trying to sell a similar product to a customer

Competitive market – where a large number of firms compete with each other to satisfy the wants and needs of a large number of consumers

Complementary good – a good that is consumed together with another good

Conditions of demand – factors other than the price of the good or service that lead to a change in position of the demand curve

Conditions of supply – factors other than the price of the good or service that lead to a change in position of the supply curve

Conglomerate merger – two firms with unrelated business activities join together

Consumer confidence – the extent to which consumers feel optimistic about the future: if consumer confidence is high, consumers are likely to spend more and save less

Consumer goods – final goods and services purchased and used by consumers

Consumer prices index (CPI) – a measure of the changes in the prices of a selection of goods and services normally purchased by a typical (ordinary) household

Consumer sovereignty – the power of consumers over how the market allocates resources through determining what is produced and for whom

Consumer spending – see Consumption (C)

Consumption (C) – the purchase of goods and services by households; also referred to as **consumer spending**

Contraction in demand – a decrease in quantity demanded as a result of a rise in price

Contraction in supply – a decrease in the quantity supplied in response to a decrease in price

Contractionary fiscal policy – a reduction in government spending and/or an increase in income tax rates in order to reduce aggregate demand in the economy

Contractionary monetary policy – the decrease in the money supply by the government, leading to a fall in aggregate demand

Corporation tax – a tax levied on a firm's profits

Corruption – the dishonest behaviour of people in power for their own personal gain

Cost of living – the day-to-day living expenses incurred by an individual

Cost-push inflation – an increase in the general price level in an economy due to an increase in firms' production costs

Creditor – the lender of money

Current account – a component of a country's balance of payments in which inflows and outflows of money from international trade and income flows are recorded

Current account deficit – the money flowing out of the country from trade in goods, trade in services, and primary and secondary income is greater than the money flowing in

Current account surplus – the money flowing into the country from trade in goods, trade in services, and primary and secondary income is greater than the money flowing out

Current transfer – a sum of money that is voluntarily given to another individual, business or government for which nothing of economic value is received in return. This is different from a **transfer payment**, which refers to a transfer of income, usually provided by the government to an individual or firm. The payment of unemployment benefits and subsidies to producers are examples of transfer payments.

Cyclical unemployment (also called demand-deficient unemployment) – unemployment that exists due to falling aggregate demand, which occurs when an economy enters a recessionary period in its economic cycle

Death rate – the number of deaths for every 1000 people in a country in a year

Debt repayments – fixed amounts (consisting of principal and interest) paid to a creditor at regular intervals on a loan

Declining industry (or sunset industry) – an industry that is

experiencing falling sales due to a change in the structure of the economy

Decrease in demand – a leftward shift in the demand curve showing that a smaller quantity is demanded at each price than was previously

Decrease in supply – a leftward shift in the supply curve showing that a smaller quantity is supplied at each price than was previously

Default – failure to repay funds to a creditor (lender)

Deflation – the sustained fall in the general level of prices of goods and services in an economy over time

Demand – the quantity of a good or service that consumers are willing and able to buy at a given price in a particular time period

Demand curve – a graph plotting the quantities of a product demanded at a range of prices

Demand-deficient

unemployment – see Cyclical unemployment

Demand-pull inflation – an increase in the general price level in an economy caused by an increase in aggregate demand

Demand schedule – a table that gives the quantities demanded at a range of prices

Demerit goods – a lack of information as to how harmful these products are for the consumer leads them to be overconsumed

Dependent population – the dependent population of a country consists of people who do not earn an income themselves and rely on others to provide them with the goods and services they need. It includes young children, the elderly, people who cannot work due to illness or disability, as well as those in full-time education

Depreciation – a fall in the value of a currency due to market forces

Deregulation – the removal of laws, rules and regulations, making it easier for a business to enter or operate in an industry

Derived demand – when a product or factor of production is not demanded for itself, but is dependent on the demand for the product it helps to produce.

Devaluation – a decrease in the value of a currency due to government intervention

Developed country – a country that has high income and living standards with most of its economic activity based in the tertiary sector

Developing country – a country that has a low income and is generally reliant on the agricultural industry for its employment and output

Direct tax – a tax on income or wealth

Diseconomies of scale – where an increase in the level of production results in a rise in the average costs of production

Disposable income – the income available to spend and save after direct taxes have been deducted and any state benefits added

Dividends (IPDs) – the portion of a firm's profit that is paid to shareholders, the owners of the business

Division of labour – the process by which workers specialise in, or concentrate on, one particular task

Dumping – the sale of imported goods at a price below what it cost to produce them

Earnings – the total amount received including additional payments

Economic cycle (also called the **business cycle** or **trade cycle**) – changes in the real GDP of an

economy over time through periods of boom, recession, slump and recovery

Economic development – an improvement in the living standards and quality of life of the population of a country as it transitions from being reliant on the primary sector for employment and output towards the secondary and tertiary sectors

Economic goods – goods which are scarce relative to the demand for them

Economic growth – the change in the value of the goods and services produced within a country over time

Economic growth rate – the percentage increase in the value of goods and services produced in an economy over time (usually a year)

Economic resources – land, labour, capital and enterprise

Economies of scale – where an increase in the level of production results in a fall in the average costs of production

Effective demand – consumers' desire to buy a good, backed up by the ability to pay

Efficiency – how effective the firm is in using factors of production to generate its output

Embargo – a complete ban on the import of a certain product or all products from a particular country

Emigration – the movement of people out of a country to reside permanently elsewhere

Employment – the state of having paid work

Enterprise – brings all the other factors together to produce a good or service

Equal opportunities – the policies and practices in employment that prevent discrimination against someone on the grounds of race, age, gender, religion, disability

or any other individual or group characteristic unrelated to ability, performance and qualification

Equilibrium price – the price at which the quantity that buyers want to buy is equal to the quantity that sellers are prepared to sell

Excess demand – see Surplus

Excess supply – see Shortage

Excise duty – a tax levied on goods that are manufactured in a country

Expansionary fiscal policy – an increase in government spending and/or a reduction in income tax rates in order to increase aggregate demand in the economy

Expansionary monetary policy – the increase in the money supply by the government, leading to a rise in aggregate demand

Export subsidy – a financial grant given to exporters by the government that does not need to be repaid

Exports – locally-made goods and services sold abroad

Extension in demand – an increase in quantity demanded as a result of a fall in price

Extension in supply – an increase in the quantity supplied in response to an increase in price

External benefits – the benefits to a third party from the production or consumption of a good

External costs – the costs to a third party from the production or consumption of a good

External economies – arise from factors outside the control of a firm and fall on all firms in the industry regardless of size

Factor endowments – the factors of production a country has available to produce goods and services

Factor immobility – the difficulties in transferring factors of production so that they may be used by an alternative industry

Factors of production – land, labour, capital and enterprise

Fertility rate – the average number of children per woman of childbearing age in a country

Final goods and services – goods and services that are ready to be used by the end consumer (both households and firms) when they are purchased, such as televisions, cars, pizza, etc.

Financial account – see Capital account

Finite resources – non-renewable resources that will eventually run out

Fiscal policy – the use of government spending and income tax rates to achieve certain macroeconomic objectives

Fixed costs (FC) – those costs which do not vary with output

Fixed exchange rate – a system where the value of the currency is controlled by government intervention in the foreign exchange market

Fixed exchange rate system – maintains a country's exchange rate within a very narrow band against other currencies

Fixed income earners – individuals who receive a set amount of income at regular intervals (weekly or monthly), for example pensioners and those who receive welfare payments

Fixed system – the value of a currency maintained at a certain level by the government

Floating exchange rate – a system where the value of a country's currency is determined by demand and supply

Floating system – the value of a currency determined by the market forces of demand and supply in the foreign exchange market

Foreign currency reserves – a store of foreign currency held at a country's central bank

Foreign direct investment (FDI) – money (capital) that flows into a country for the purpose of setting up business operations

Foreign exchange market – the place where buyers and sellers meet to trade foreign currencies

Foreign exchange rate (or **exchange rate**) – the price of one currency in terms of another currency

Formal economy – the official economy that is controlled by the government and subject to taxation

Free goods – resources that are supplied at zero cost because there are more than enough available to satisfy the demand for them

Free trade – the exchange of goods and services between countries without any government-imposed restrictions on volume or price

Free trade agreement (FTA) – an agreement between two or more countries to reduce restrictions on some or all products traded between them

Frictional unemployment – unemployment that exists when people are between jobs, moving from one job to another

Full employment – also referred to as **low unemployment**, this is a situation in which the vast majority of the labour force in an economy are in paid work

Gender distribution – the proportions of people in a country who are male and female

Geographical distribution – the way people are spread across a country or region, for example, the proportion of the population living in urban and rural areas

Geographical mobility – the ease with which an individual

can change from one location to another for work purposes

Globalisation – the integration of local markets into a single global market

Goods and services tax (GST) – see Value added tax

Government budget – a plan of a government's future income and expected spending over a period of time (usually a year)

Government spending (G) – expenditure by the government

Grant – a sum of money that is given by the government which does not have to be repaid

Gross domestic product (GDP) – the total value of all final goods and services produced within a country over a year

Gross national income (GNI) – total income earned by the residents of a country (individuals and businesses) at home and abroad

Gross national income per head – gross national income averaged across the population of a country (GNI per head = GNI/population)

Health and safety – the laws and rules for identifying potential dangers and health problems at work and, also, the ways of preventing these issues and keeping people safe

Home country – the country in which a multinational company was originally established and where its headquarters are based

Horizontal merger – two firms at the same stage of production in the same industry join together

Host country – the country in which a multinational company operates that is not its home country

Household – a group of people who share the same living accommodation, who pool at least some of their income and who consume certain goods and

services such as housing and food collectively

Human development index (HDI) – a measure of human development and wellbeing that takes into account the three dimensions of living standards, health and education

Human trafficking – the forced and illegal transport of human beings from one country to another

Immigration – the movement of people into a country to reside there permanently

Import quota – a limit on the quantity of a good imported into a country

Imports – foreign-made goods and services purchased locally

Income – the reward for the services provided by a factor of production, including labour

Income tax – a tax levied on a person's earnings from employment

Increase in demand – a rightward shift in the demand curve showing that a greater quantity is demanded at each price than was previously

Increase in supply – a rightward shift in the supply curve showing that a greater quantity is supplied at each price than was previously

Indirect tax – a tax on goods or services, such as sales tax or VAT

Industrial action – any measure taken by a trade union (or other organised labour) to try to enforce their demands or to address their complaints; this may take the form of strikes, overtime bans, go-slows, work-to-rules or sit-ins

Infant industry (or sunrise industry) – an emerging or newly established industry that is still too small to benefit from internal economies of scale and is therefore unable to compete with large foreign rivals

Infant mortality rate – the number of babies who die before their first birthday for every 1000 live births in a year

Inflation – the sustained rise in the general level of prices in an economy over time

Inflation rate – the percentage increase in the general price level in an economy over time (usually a year)

Informal economy – the unofficial economy, which is not taxed or controlled by the government

Infrastructure – facilities that are essential for an economy to function, including roads, a transport network, a communication network, electricity supply, etc.

Interest – the cost of borrowing money which is paid to a creditor in addition to the principal. Alternatively, the income received on money that is loaned out: the factor reward for capital

Interest rate – the cost of borrowing money

Intergenerational poverty – the continuation of poverty from one generation to the next, mainly due to lack of access to quality education

Internal economies – come from the growth of the firm itself, resulting in a fall in average costs (economies) or rise in average costs (diseconomies)

Investment (I) – the purchase of capital goods by firms to expand production

Invisibles – services and other products that are intangible (they do not exist in a physical form)

Labour – includes all human resources

Labour force – all individuals of working age (between the ages of 15 and 65 in most countries)

who are either employed or unemployed in a country

Labour Force Survey (LFS) – a measure of unemployment that uses data gathered from a survey of a sample of households to calculate the unemployment rate

Labour intensive production – where the production of a good or service depends more heavily on labour than the other factors of production

Labour productivity – output per worker per time period

Land – includes all natural resources

Law of demand – as the price of a good or service falls, the quantity demanded increases

Law of supply – as the price of a good or service falls, the quantity supplied decreases

Lender of last resort – where the central bank gives loans to banks or other eligible institutions that are experiencing financial difficulty and may not be able to quickly borrow money elsewhere

Life expectancy – the number of years a person in a country is expected to live

Living standards – the economic wellbeing and quality of life of members of a population

Living wage – a wage set at a level to enable workers to reach a minimum acceptable living standard

Loan – a sum of money that is given to a person or entity on the promise that it will be repaid at an agreed time in the future with interest

Long run – the time it takes to change the factors of production to expand and produce on a larger scale

Macro economics – the study of the whole economy

Macroeconomic aims – the goals a government wishes to achieve for the economy as a whole at a national and international level

Market – where many buyers and many sellers come together

Market disequilibrium – where the quantity demanded by consumers and the quantity supplied by producers are not equal

Market economic system – a system with prices that are based on competition between private sector businesses; markets are not controlled by the government

Market economy – also called a 'free market economy', an economy in which goods are bought and sold, and prices are determined by the free market without intervention by the government

Market equilibrium – where the quantity demanded by consumers and the quantity supplied by producers are equal

Market failure – a situation where the economy's resources are not efficiently allocated: the market does not produce the goods and services that consumers most want and in a quantity that is required

Maximum price control – prices are not permitted to rise above a certain level set by the government

Measure of value or unit of account – the idea that money allows the value of different goods and services to be compared

Medium of exchange – anything that sets the standard of value of goods and services and is acceptable to all parties involved in a transaction

Menu costs – the costs incurred by firms in changing their prices

Merger – the process by which two independent firms come together to form a new firm

Merit goods – a lack of information about how beneficial these products are for the consumer leads them to be underconsumed

Micro economics – the study of the economic behaviour of individuals and businesses

Minimum price control – prices are not permitted to fall below a certain level set by the government

Minimum wage – the lowest wage level that an employer may legally pay their workers

Mixed market system – an economy that has both private sector firms and government supplying goods and services

Mobility of factors of production – how easily any of the factors of production can be transferred to an alternative use

Monetary policy – when the government controls the money supply (usually by changing interest rates) in order to achieve certain macroeconomic aims

Money – anything that is generally accepted as a means of payment for goods and services

Money GDP – the total money value of the goods and services produced in an economy, not accounting for inflation (may also be referred to as GDP or nominal GDP)

Money supply – the quantity of money in circulation in the economy

Monopoly – the sole producer or seller of a good or service

Monopoly power – a single firm dominates the market and has the power to determine the market price

Multinational company (MNC) – a company that operates in more than one country

Nationalisation – the transfer of ownership (of property or a business) from the private sector to the government

Natural rate of unemployment – a certain amount of unemployment that will always exist in an economy as a result of people moving between jobs

Needs – goods or services necessary for survival

Net errors and omissions – a balancing item included in the balance of payments which accounts for mistakes made in calculating inflows and outflows of money to and from a country

Net exports (X – M) – the difference between the value of exports and the value of imports

Net migration – the difference between immigration into a country and emigration out of a country

Non-excludability – consumers who have not paid for a good (or service) cannot be excluded from benefitting from the consumption of that good or service

Non-rivalry – the consumption of goods by one individual does not prevent another individual consuming the good at the same time

Non-wage factor – something other than pay that influences choice of occupation

Occupational distribution – the proportion of people working in each of the primary, secondary and tertiary sectors of an economy

Occupational mobility – the ease with which an individual can change from one job in a particular field or industry to one in another field or industry

Opportunity cost – the next best alternative foregone when making an economic decision

Optimum population – a situation where a population is sufficient to ensure that all resources in a country are fully utilised and output is maximised

Overcrowding – an increase in the number of people to beyond what is comfortable due to lack of living space

Overpopulation – a situation where there are not enough resources to sustain the population of a country

Pensioners – individuals who are retired (no longer work) and receive a pension as their income

Planned economy – an economy in which all decisions concerning production, investment, prices and incomes are determined by the government

Population density – the number of people living in a certain area, usually one square kilometre

Population growth – the change (increase or decrease) in the number of people living in a particular geographical area

Population growth rate – the rate of change (expressed as a percentage) in the number of people residing in a country or a particular geographical area

Positive supply shock – a sudden increase in aggregate supply in an economy, such as a sudden fall in oil prices

Poverty cycle – a situation in which a developing country is unable to develop economically due to low income, leading to low savings, leading to low investment, leading to low productivity, leading to low economic growth and, thus, again leading to low income

Price elastic demand – the percentage change in quantity demanded is greater than the percentage change in price

Price elastic supply – the percentage change in quantity supplied is greater than the percentage change in price

Price elasticity of demand (PED) – the responsiveness of quantity demanded to changes in price

Price elasticity of supply (PES) – the responsiveness of supply to changes in price

Price inelastic demand – the percentage change in quantity demanded is lower than the percentage change in price

Price inelastic supply – the percentage change in quantity supplied is lower than the percentage change in price

Price mechanism – a system that enables buyers and sellers to trade with each other at an agreed price

Primary income – earnings that come from a factor of production (land, labour, capital or enterprise)

Primary sector – the direct use of natural resources; it is the extraction of basic materials and goods from the land and sea

Principal – the total amount borrowed

Private benefits – the benefits to an individual or business when they produce or consume a good

Private costs – the costs to an individual or business when they produce or consume a good

Private goods (or private services) – goods that it is possible to exclude individuals from consuming if they have not paid and there is rivalry in the consumption of these goods

Private sector – the part of the economy made up of individuals and businesses that make economic decisions

Privatisation – the transfer of ownership (of property or a

business) from the government to the private sector

Product differentiation – setting one product apart from another by emphasising a particular aspect or aspects; it is used to increase consumer interest

Production – the total output of the goods and services produced by a firm or industry in a period of time

Production possibility curve (PPC) – shows the maximum possible output for two goods or services with a given amount of resources

Productive capacity (or productive potential) – the ability of an economy to produce goods and services if all factors of production are fully employed

Productivity – measures the contribution to production (total output) by each factor of production employed. It is one measure of the degree of efficiency in the use of factors of production in the production process. It is measured in terms of output per unit of input.

Profit – the income a firm receives after expenses have been deducted (total revenue – total costs). Profit is the factor reward for enterprise.

Profit maximisation – the greatest profit a firm can make is shown by where there is the most positive difference between TR and TC

Progressive taxation – a tax system that takes a higher proportion of income from the rich than the poor

Proportional taxation – a tax system that takes an equal proportion of income from all income earners (rich and poor)

Protection (or protectionism) – restrictions on imports and/or exports that are imposed by a

government in order to safeguard jobs and domestic industries

Public goods (or public services) – goods that consumers cannot be excluded from enjoying even if they have not paid; everyone can equally enjoy consuming the good

Public sector – the part of the economy that is under the control of the government

Purchasing power – the value of money in terms of the quantity of goods and services it can buy

Quantitative easing (QE) – where a central bank buys financial assets from banks and other private sector businesses with new electronically created money

Quota – a physical limit on the quantity of a good that is allowed into a country

Rate of inflation – the persistent rise in the general price level over time

Rate of interest/interest rate – the cost of borrowing money from a lender, and the reward for saving

Real GDP – the total value for goods and services produced in an economy which has been adjusted to take inflation into account

Real GDP per head (real GDP per capita) – a measure of the average income of the population within a country

Real income – income taking the effects of inflation into account, so it is the purchasing power of income

Real output – the total value of goods and services produced in an economy after inflation (rising prices) has been taken into account

Recession – a sustained period of negative GDP in the economy over time; also defined as two consecutive quarters (three-monthly periods) of negative economic growth

Recovery – a period in which real GDP begins to rise as a result of rising aggregate demand in the economy

Redundant – a worker is made redundant when they lose their job because their skills are no longer needed by the business

Regional unemployment – when unemployment occurs in a particular geographical area

Regressive taxation – a tax system that takes a higher proportion of income from the poor than the rich

Regulation – the imposition of rules by the government, backed by the use of penalties that are intended to modify the behaviour of individuals and firms in the private sector

Relative poverty – a situation in which an individual does not have enough income to buy the goods and services normally consumed by members of the society in which they live

Remittance – a sum of money sent by a worker in a foreign country to relatives in their home country

Renewable resources – resources that can be replaced as they are used to produce goods and services

Retaliation – the imposition of protection policies by a government on imports from another country in response to protection policies imposed on exports from its country

Revaluation – a rise in the value of the domestic currency as a result of government intervention in the foreign exchange market

Salary – an annual sum of money usually paid in twelve equal monthly amounts

Sales (revenue) maximisation – where a firm increases market share and/or increases total revenue

Saving – that part of someone's income which is not spent on consumption

Scarcity – a lack of goods and services available to satisfy unlimited wants

Seasonal unemployment – unemployment that exists because the workers are not needed all year round

Secondary income – income received through current transfers

Secondary sector – all activities in an economy that are concerned with either manufacturing or construction

Shoe leather costs – the costs incurred by a business in searching for the best prices from suppliers

Shortage (or excess demand) – demand is greater than supply at a given price

Short run – an amount of time that is less than what is required for a firm to be able to expand and increase all of the factors of production. It is when at least one of the factors of production has not been changed

Short-term capital flows ('hot money') – the flow of money from one country to another on a temporary basis in order to earn income from changes in interest rates

Slum – an area in a city in which people live in poor conditions characterised by non-durable housing, unpaved paths, and lack of space, sanitation facilities and access to safe drinking water

Slump – a period of negative real GDP characterised by low aggregate demand in the economy

Social benefits – the private benefits plus the external benefits of producing a good

Social costs – the private costs plus the external costs of producing a good

Social optimum quantity – the level of output where the social costs equal social benefits: the market equilibrium reached fully takes into account all the costs and benefits associated with the production and consumption of the good

Social welfare – a firm being concerned about the welfare of its workers, society as a whole or local community

Specialisation – the process by which individuals, firms, regions and whole economies concentrate on producing those products in which they have an advantage

Spending – involves the use of money to purchase goods and services

Spillover effects – effects on a third party

Standard for deferred payment – enables people to borrow money and pay it back at a later date

Store of value – allows wealth to be stored in the form of money

Strategic industry – an industry that is important to the long-term wellbeing of a country

Structural unemployment – unemployment that exists due to a change in the structure of an economy, usually because it is becoming more developed

Subsidy – an amount of money given to a firm to lower the cost of supplying the good or service to the market

Subsistence economy – an economy in which people are self-sufficient, producing only enough to satisfy their own basic needs, including food, clothing and shelter, and the basic needs of their families

Substitute good – a good that is consumed as an alternative to another good

Sunrise industry – see Infant industry

Sunset industry – see Declining industry

Supply – the quantity of a good or service that producers are willing and able to supply at a given price in a particular time period

Supply curve – a graph plotting the quantities of a product supplied at a range of prices

Supply schedule – a table that gives the quantities supplied at a range of prices

Supply-side policy – a government action which leads to an increase in aggregate supply in an economy by improving either the quality or the quantity of resources

Surplus (or excess supply) – supply is greater than demand at a given price

Survival – the objective of remaining in business

Takeover – the process by which one firm buys another firm either by buying out the owner or by purchasing more than 50% of its shares

Tariff – a tax imposed on imported goods

Tax avoidance – the process of finding legal ways to minimise the amount of tax paid to the government

Tax evasion – illegal non-payment of taxes to the government

Tax revenue – the money a government receives from direct and indirect taxes

Technological unemployment – unemployment that exists because people are replaced by machines

Tertiary sector – all activities in the economy that involve the idea of a service

The economic problem – how can scarce economic resources be most effectively used to satisfy people's unlimited needs and wants?

Time lag – the period of time between an economic action and when it starts to take effect

Total costs (TC) – all the costs of the firm added together. $TC = FC + VC$

Total revenue (TR) – the total income of a firm from the sale of its goods and services

Trade cycle – see Economic cycle

Trade deficit – a situation where the value of imports of a country is greater than the value of exports

Trade in goods (also known as the balance of trade) – the difference between the value of visible exports and the value of visible imports

Trade in services (also known as the balance of trade in services) – the difference between the value of invisible exports and the value of invisible imports

Trade surplus – a situation where the value of exports is greater than the value of imports

Trade union – an organisation of workers that actively supports its members in a variety of ways, such as increasing wages and improving working conditions

Underpopulation – a situation where some of the resources of a country are left unused or wasted because there are not enough people to fully exploit them

Unemployment – the state of being without paid work but willing and able to work if a job becomes available

Unemployment rate – the percentage of a country's labour force that is without paid employment but actively seeking work

Unit elastic supply – the percentage change in quantity supplied is equal to the percentage change in price

Unit elastic demand – the percentage change in quantity demanded is the same as the percentage change in price

Unlimited wants – there is always something else that people would like and so people are never satisfied

Value added tax (VAT) – a tax levied on goods and services sold in a country calculated as a percentage of the sales price (also called a goods and services tax (GST) in some countries)

Variable costs (VC) – those costs which change as output changes

Vertical merger – two firms at different stages in the same industry join together; this may be forward or backward

Visibles – goods that are tangible (they exist in a physical form)

Voluntary unemployment – when an individual chooses to remain unemployed when they have the option of working

Wage – a payment for units of time or units of product

Wage-price spiral – the inflationary cycle of higher wages, leading to higher production costs, which in turn leads to higher prices and living costs, which lead again to higher wages, and so on

Wage rate – the amount of money paid to a worker per unit of time

Wages – the income an individual receives from their employer in return for mental or physical effort. Wages are the factor reward for labour.

Wants – goods or services not necessary for survival

Weighted average – the calculation of an average by multiplying each item by a factor indicating its importance; the total sum of the weightings in a calculation equals 1

Weighted price index – an index (with a base year of 100) in which the prices of goods are weighted according to their importance

Weighting – an indication of the importance of a good when calculating a weighted average; the more important the good, the higher the weighting it receives

Welfare services – financial support provided by the government to those most in need, including the elderly, children and the unemployed

Working-age population – the proportion of a country's population that is of working age, usually between the ages of 15 and 64