JA Economics Vocabulary (High School)

401 (k) Plan – A for-profit company’s retirement plan that allows an employee to save up to a certain amount of income per year and avoid paying taxes on the income until withdrawal.

Ability-to-pay principle – A principle stating that government should tax people in proportion to their ability to pay the tax.

Absolute Advantage – The ability of a person or a nation to produce a good at a lower cost than another person or nation.

Annual Percentage Rate (APR) – The cost of credit calculated as an annual percentage rate of the principal borrowed.

Asset – Anything of monetary owned by an individual or company.

Average fixed costs – Total fixed costs divided by quantity produced.

Average total costs – The sum of the average fixed and the average variable costs.

Average variable costs – Total variable costs divided by the quantity produced

Balance of payments – A record of all exchanges between a country’s residents and those of other nations over some time period.

Balance of trade – The value of goods and services bought and sold on the world market.

Balance sheet – A report of a company’s, or an individual’s, assets, liabilities, and net worth on a specified date.

Bank – A financial institution that accepts demand deposits and makes commercial loans.

Barter – An exchange of goods and services without using money.

Benefits – The gains that result when a choice is made.

Benefits-received principle – A principle stating that government should tax people in proportion to the benefits they receive from a government good or service.

Bond – A promise to repay borrowed money to a lender at a fixed rate of interest at a specified time.

Break-even point – The point of production at which income from sales equals total fixed and total variable costs.
Budget – A financial plan that summarizes an individual’s planned income and spending over a specific time period.

Business Cycle – A measure of recurring ups and downs in the level of economic activity over time.

Buying power – The quantity of goods and services a person can buy with a given amount of money.

Capital – The buildings, tools, and machines people create and use to produce final goods.

Capital account – An account in a nation’s balance of payments that shows the flow of financial capital in and out of a nation.

Certificate of deposit (CD) – A receipt issued by a bank to a person depositing money in an account for a specified period of time at a fixed rate of interest.

Charter – A document that states the nature of the business, the initial owners of the stock, and the types of stocks to be sold.

Collateral – The capital acceptable to a lender for a loan.

Collective bargaining – A process in which union and company representatives meet to negotiate a new labor contract.

Collusion – An agreement in which companies restrict production and raises prices and profits.

Command economy – An economic system in which the government holds most property rights.

Common stock – A claim to a share of the profits of a company after all expenses and taxes are paid.

Comparative advantage – The ability of an individual or nation to produce a product at a lower opportunity cost than another individual or nation.

Complementary goods – Products that are often used together.

Compound interest – An interest calculated on the sum of savings plus accumulated interest, provided the interest earned is kept in savings.

Concentration ratio – The percentage of an industry’s sales accounted for by its four largest firms.

Conglomerate merger – The combination of two or more unrelated companies under a single management.

Constant dollars – Term used to reflect the changes in the purchasing power of the dollar form a base year.

Consumer price index (CPI) – An index that measures the prices of a market basket of 300 goods that typical consumers purchase.

Consumption – The process of using a product or service.
Corporation – A business organization manages on behalf of its owners who provide the funds.

Cosigner – A person who has a good credit rating and who guarantees to pay off your loan if you cannot.

Cost-push inflation – A situation of rising prices resulting from increases in the cost of production.

Costs – The losses that result when a choice is made.

Credit – The ability of a customer to buy goods or services before paying for them, based on an agreement to pay later.

Currency – Paper money and coin.

Current account – An account in a nation’s balance of payments that includes exports and imports of goods and services, net investment income, and net transfers.

Demand – Quantities of a particular good or services consumers are willing and able to buy at different prices at a particular time.

Demand deposits – Checking accounts held by the public at commercial banks.

Demand-pull inflation – A situation of rising prices in which there is too much money “chasing” too few goods.

Deposit multiplier – The total possible increase in the money supply is calculated by dividing 100 by the reserve ratio.

Derived demand – Demand for a resource, such as labor, based on the demand for the goods and services that the resource produces.

Diminishing marginal utility – The point reached when an additional unit of a product consumed is less satisfying than the one before.

Discount rate – The interest rate charged by one Federal Reserve n its loans to banks and other financial institutions.

Disincentive – A negative or withdrawn rewards.

Disposable income – The money you take home after taxes are paid.

Distribution – The process of getting a product or service to the consumers.

Dividends – Profits distributed to stockholders.

Durable good – A consumer good that is expected to last three years or more.

Economic equity – A condition of economic fairness and impartiality.
Economic freedom – A condition in which individuals and businesses have freedom of choice in employment, buying, selling, use of time, and other economically related decisions.

Economic growth – A condition in which the output of goods and services in an economy increases over the period of a year.

Economic indicator – Measures of different parts of the economy that are used to determine what has happened and what is likely to happen to the economy.

Economic security – A condition in which the basic need of every person should be met.

Economics – A social science that studies how people, acting individually and in groups, decide to use scarce resources to satisfy their wants.

Economies of scale – Reductions in cost resulting from large scale productions.

Efficiency – A condition in which maximum output is obtained from the resources used to produce goods and services.

Elastic currency - The supply of currency that expands and contracts with the needs of business.

Employee stock ownership plan – An employer-sponsored retirement plan that allows employees to purchase the employer’s stock, sometimes at a reduced stock price.

Enterprise – A term for a business organization.

Entrepreneurship – The imagination, innovative thinking, and management skills needed to start and operate a business.

Exchange rate – The value of one’s nation’s currency stated in terms of the value of another nation’s currency.

Export – A good or service sold to a buyer in another country.

Export subsidy - A payment by a country to its exporters, enabling them to sell their products at a lower price than at home.

Externality – An economic side effect of producing or consuming good or service that generates benefits to someone other than the person who decided how much to produce and consume.

Factors of production – The land, labor, and capital resources used to produce goods and services.

Federal Reserve System – The nation’s central bank.

Fertility rate – The average number if births during a year to women of childbearing age.

FICA – An acronym that stands for Federal Insurance Contributions Act, which directs the taxes people pay for Social Security and Medicare.

Finance charge – The total amount paid to use credit.
**Fiscal policy** – The use of government speeding and taxation to stabilize the economy.

**Fiscal year** – A 12-month period that can begin on any date. The U.S federal government fiscal year starts October 1 and ends September 30 of the following year.

**Fixed costs** – Costs that remain the same regardless of the amount of product a firm produces.

**Fractional reserve banking** – The percentage, or fraction, or depositor’s money that a bank is required to hold before lending the remainder of the deposits.

**Franchise** – A license that entitles its holder to operate his or her individually owned business as if it were part of a large chain of stores.

**Free enterprise** – The condition that allows people to freely make choice in their economic roles.

**Free-Trade Association (FTA)** – An agreement among countries to remove the barriers to trade among themselves.

**Full employment** – A condition in which almost all people in the labor force are able to find work.

**GDP deflator** – A price index that reduces the current gross domestic product prices into prices of a base year.

**Globalization** – The process of countries and their citizens becoming increasingly interdependent.

**Grievance** – A formal complaint made by a union when it feels one or a class of its members have been treated inappropriately under the terms of a contract.

**Gross Domestic Product (GDP)** – The final value of all goods and services produced within a country in a year.

**Gross National Product (GNP)** – The total market value of all the final goods produced by American residents, whether these residents are located in the United States or in another country.

**Horizontal merger** – The combination of two or more companies engaged in the same business.

**Import** – A good or service purchased from a seller in another country.

**Incentive** – A positive reward that results from making a choice or behaving in a certain way.

**Income statement** – A statement of earnings or a profit-and-loss statement.

**Index** – A combination of different numerical data, such as prices, into one measure that is reported over time.

**Individual Retirement Account (IRA)** – A kind of retirement account an individual can establish with a bank, an insurance company, or a brokerage firm.

**Industry** – A group of one or more firms that produce identical or similar products.

**Inflation** – A general rise in overall prices.
Initial public offering – A company’s first sale of stock to the public.

Injunction – A court order to keep a union from striking and picketing.

Interest – Income earned from allowing someone else to use your financial capital.

Job discrimination – The practice of favoring one person over another for reasons that have nothing to do with their ability to perform a job.

Joint venture – Two companies that keep their independence while cooperating on a particular project.

Labor - The physical or mental efforts people use to create goods or services.

Labor productivity – The amount of goods or services that the work force can produce during a given time period- an hour, a week, a month, or a year.

Labor union- An association of workers that seeks to improve its members wages, working conditions, and benefits.

Land – Natural resources that are unaltered gifts of nature, such as soil, timber and fresh water.

Law of diminishing marginal returns- An economic principle which holds that as more and more variable resources are added to a fixed amount of other resources, the additional amount produced eventually decreases.

Law of supply – A positive relationship between the quantity supplied and the price of the product.

Liability – Anything of monetary value owed by an individual or company.

Line of credit – An agreement a business makes, usually with a bank, to borrow up to a certain amount of money for ongoing cash needs.

Liquidity – The ease with which any asset, such as savings or a stock, can be converted to cash.

Lockout - The closing down of a business to pressure a union into accepting working conditions.

Macroeconomics - The study of the economy as a whole.

Marginal- The extra or additional costs or benefits of a decision.

Marginal analysis - Decision making that involves marginal benefits and marginal costs.

Marginal costs - The additional costs of increasing one unit of production.

Marginal revenue - The additional revenue generated from the sale of an additional quantity of the product

Market - An arrangement that allows buyers and sellers to make exchanges.
Market competition - Rivalry among businesses for resources and customers.

Market demand - The total of all individual demands in a given market at a particular time.

Market economy - An economy that relies on voluntary trade as the primary means of organizing and coordinating production.

Market risks - The potential decrease of the value of stock in a stock market.

Market structure - A set of conditions that describes characteristics of a market which a business firm competes. The characteristics are the number of firms, differentiation of products, control over prices, and barriers to entering the market.

Market supply - The total of all individual suppliers’ products in a market at a particular time.

Market-clearing price - The price at which the amount supplied is equal to the amount demanded.

Marketing - In economics, everything that takes place in a company between product production and purchase.

Merger - The purchase of one business by another business. The term buyout is sometimes used instead of merger.

Microeconomics - The study of individual consumers and businesses.

Mixed economy - An economic system that blends voluntary exchange, government command, and traditional elements of economic choice-making.

Monetary policy - Regulating the money supply to help the economy achieve a full employment, Non-inflatory level of total output.

Money - Anything that is generally accepted as payment for goods.

Money supply - The total amount of money in circulation within a country at some period.

Monopolistic competition - A market structure with many firms that offer similar but not identical products.

National debt - The cumulative sum of all federal government borrowing used to finance annual deficits.

Near monies - Assets that can be easily converted into cash.

Net worth - An individual’s wealth after debts and other obligations have been subtracted.

Nominal GPD - Gross domestic product reported in current prices.

Oligopoly - A market structure in which few large firms supply most or all products in a market.

Open-market operations - The purchase and sale of government securities by the Federal Open Market Committee.

Opportunity costs - The highest valued alternative given up as a result of making a choice.

Partnership - A business organizations owned by two or more people who share ownership and control over the business.
Peak - A phase in the business cycle during which business activity is at a temporary maximum and the economy is at full employment.

Perfect competition - A market structure in which a large number of firms all produce the same product at the same price.

Picketing - The act of employees carrying signs that call attention to a labor strike with the goal of arousing public sympathy.

Predatory pricing - Selling a product at a lower cost with the goal of driving competitors out of business.

Preferred stock - Ownership of shares issued as nonvoting stock.

Price effect - The inclination of people to buy less of something at higher prices than they would at lower prices.

Price elasticity of demand - A measure of the impact of the price effect.

Price stability - An economic condition in which prices of goods, services and resources do not fluctuate significantly, either up or down, in a short period of time.

Price system - An arrangement that uses monetary prices as messages to facilitate exchanges between buyers and sellers.

Price-fixing - An action in which all businesses in a market agree to charge the same or similar prices.

Principal - The initial amount of servings or an original amount of money borrowed.

Private property - Resources and products owned by individuals or businesses.

Production - A process that combines economic resources so the resource is a good or service that is available for sale.

Productivity - The output of goods and services measured per unit of input by labor, capital, or land.

Profit - A positive difference between total sales and total costs.

Progressive tax - A tax that takes a higher proportion of income from higher income earners than from lower income earners.

Public good - Something that, once provided, is available to anyone without additional costs.

Public property - Resources and products owned by the government.

Public sector - The part of the economy that involves the transactions of the government.

Purchasing power - The value of money for purchasing goods and services.

Pure monopoly - A market structure with only one seller in the market.

Quota - Restriction on the amount of a specific good that can enter the country from abroad.

Rate of return - The percentage of interest or the amount dividends paid on savings or on an investment.
**Rationing** - Distributing or allocating a product by a price system.

**Real GPD** - Gross domestic product adjusted for inflation.

**Real per capita GDP** - Real gross domestic product divided by a country’s population.

**Recession** - A period of time, six months or longer, in the business cycle in which total GDP output declines.

**Recovery** - A phase in a business cycle during which output and employment expands toward full employment.

**Regressive tax** - A tax for which the percentage of income paid in taxes decreases as income increases.

**Rent** - Payment for the use of someone else’s property.

**Reserve ratio** - The percentage of total deposits held in reserve by a bank.

**Retained earnings** - The amount of money that has been saved over the year of investment.

**Salary** - Earnings paid weekly, monthly or on a yearly basis.

**Scarcity** - An inequality that exists between wants and the resources available to satisfy them.

**Seniority** - A worker’s length of service with an employer.

**Share of stock** - A share of ownership in a corporation.

**Shortage** - The difference between the amount supplied and the amount demanded when the asking price is less than a market-clearing price.

**Sole proprietorship** - A business owned by one person.

**Specialization** - The concentration of productive efforts of individuals or business firms on a limited number of activities.

**Stock** - Ownership in a corporation.

**Stock exchange** - A market in which the public is able to buy or sell stock.

**Stock market** - A market in which the public is able to buy or sell stock.

**Strike** - A withholding of labor services by a union.

**Substitute** - A good or service that can replace another good or service.

**Supply** - Quantities of a good or service that producers are willing and able to sell at different prices at a particular time.

**Surplus** - The difference between the amount supplied and the amount demanded when the asking price is greater than a market-clearing price.

**Tariff** - A duty or a tax on imports

**Tax deferment** - The payment of taxes on interest after the interest is earned, often upon retirement.
Total costs - The sum of total fixed costs and total variable costs.

Total revenue - A calculation of revenue that is determined by price times the quantity of units sold.

Trade - Exchanging something for something else.

Traditional economy - An economic system in which people rely on traditions or customs to make what, how, and for whom choices.

Trough - A point in business cycle in which output and employment reach their lowest level.

Unemployment rate - The number of people looking for work divided by the number of people in the labor force.

Union shop - A factory, business, or agency operating under a contract in which non-union members can be hired but only on the condition that they join the union after they are hired.

Variable costs - Costs that change with the changing amount of production.

Venture capitalists - Investors who make loans to new companies.

Vertical Merger - The combination of two or more companies involved in different steps of a production process.

Wage - Earnings paid by the hour or unit of production.

Wealth - The value of the things you own.

Yield - The percentage return actually earned over time on a bond investment that is figured by dividing the annual interest by the price paid.