unit 1-2

wants are infinite, resources are finite

factors of production: land, labour, capital, enterprise

land: natural resources, extracted and cultivated from nature.

labour: mental and physical human output into production

capital: man made means of production

enterprise: entrepreneurs who organize FoP and take risks

production possibility curve: shows max combinations of products that can be produced by economy in given time period with limited resources. points beyond curve: unattainable, within the curve is inefficient

free market system: decisions by private sector, no role to govt. price mechanism plays a role

price mechanism: consumer demand impacts supply

elasticity: measure of how quickly consumers/producers respond to a change in price

PeD= percentage change in quantity/percentage change in price

perfectly inelastic: vertical, perfectly elastic: horizontal. more than 1: elastic, less than 1: inelastic

PeD impacted by: no. of substitutes, time needed to purchase, proportion of income spent, necessity/habit forming, cost of switching brands, brand loyalty, breath of definition of product

PeS impacted by: spare capacity (more capacity = more elastic), time to manufacture (quicker manufacturing = higher elasticity), amount of stock/ability to stock, mobility + cost of FoP

unit 1-2 (cont)

market failure: when the price mechanism results in inefficient allocation of resources. shows through the existences of externalities, public goods, FoP immobility, monopolies

social costs = private costs + external costs. social benefit = private benefit + external benefit

merit goods: goods which have an unappreciated benefit. often underconsumed and underproduced.

demerit goods: goods that have an unappreciated cost. often overconsumed and overproduced

public goods: a good not provided by market forces, has to be provided by govt. non-rivial and non-excludable

monopoly: >26% share of market, can charge higher prices and restrict quantity.

direct tax: tax on income, (income, wealth, corporation)

indirect tax: tax on spending, (VAT, excise)

unit 4

unemployment: people willing and able to work but don't have a job.

price stability: maintains economic stability + products can compete with international products

economic growth: sustained expansion of production possibilities over time, increase in quantity + quality of FoP, measure of aggregate demand and aggregate supply

aggregate demand: total demand for goods and services within a particular market

aggregate supply: total output of all producers in an economy

balence of payments: record of a country's transactions with an other countries

budget: govt financial plan showing govt income and expenditure

progressive tax: increases with income

unit 4 (cont)

proportional tax: fixed with percentage income

regressive tax: decreases with income increased

fiscal policy: govts seek to influence total demand in economy by changing either govt spending/taxation/increases

monetary policy: process of controlling supply, cost of money, availability of money. influences AD level

money supply: the money in circulation in economy

exchange rates: value of one currency against another. bought/sold as commodity to change price. manipulated by exports/imports

quantitive easing: affect amount of money in circulation by printing more money

supply-side policy: govt policies that stimulate producers to produce more. increases AS, more productivity capacity/potential of economy

economic growth: increase in amount of goods/services produced by economy over time.

GDP: measuring adding total spending on final goods/products produced in a country over a year period. C+I+G+ (X-M)

nominal GDP: total GDP while inflation hasn't been taken into account. (still in the figures)

real GDP: total GDP after inflation has been taken into account. (out of the figures)

economic recovery: real GDP grows faster than normal. AD increases, firms output increases, job creation.

economic boom: demand for goods increases, output rises, profits peak, economy can 'overheat'

economic recession: real GDP falls. Ad falls and production is cut. less employment, profits/income lower. has to be two/more consecutive quarters of negative economic growth.

unit 4 (cont)

labour force: total people working age in work/actively seeking work

labour force participation rate: labour force as a proportion of working-age population, % population that is economically active

employment by industrial sector: people working in agriculture/manufacturing/ related services

employment status: no. of people employed full time/part-time/temp work

unemployment: people registered as being without work as proportion of labour force

economically active population: supply of work

claimant court: counting individual who register as unemployed. usually counted by no. of people claiming unemployment benefit.

labour force survey: data gathered from survey of sample households for unemployment rate. determines people employed. used worldwide and is standardized.

frictional unemployment: short-lived unemployment as jobs change. seasonal unemployment: temporary unemployment because some production and AD is seasonal

cyclical unemployment: prolonged, wide spread unemployment during recessions due to falling AD

structural unemployment: long lived unemployment caused by industrial decline. workers are unemployed and have unwanted skills.

inflation: sustained increase in av. price level of country.

deflation: sustained fall in gen. price level inflation is negative

creeping inflation: prices increase by a few % per year

hyperinflation: prices rising significantly over 100%

unit 4 (cont)

malign deflation: sustained decline in GPL in economy due to demand slump

disinflation: slow down in rate at which prices are rising in general

stagnation: economic situation with high/rising unemployment + inflation

imported inflation: rising prices caused by increase in import costs following fall in value of exchange rate of importing country's currency

weighting: technique of adjusting certain payments by price index to preserve real value/purchasing power

unit 4

unemployment: people willing and able to work but don't have a job.

unit 3

money: medium of exchange used to buy goods and services. is a unit of account, store of wealth, standard of deferred payment, medium of exchange

characteristics of money: durable, acceptable, divisible, portable, scarce

banks: act as a financial intermediary between borrowers and savers.

interest rate: cost of borrowing as a % of unit of money.

stock exchange: market where shares and securities are sold and bought

stock brokers: individuals who buy/sell stocks on stock exchange to pay loans

ipo: initial public offering

bull market: prices going up, bear market: prices going down

dividend: share of profit given to shareholder per share

yield: dividend as % of share price

unit 3 (cont)

joint stock companies: shares sold for permanent capital, shares never paid back. people purchasing become the shareholders, get dividend.

bonds: sold as govt as loans for a set time. paid back with interest

average propensity to consume: the likelihood of spending your income. APC = consumption/disposable income

derived demand: demand for goods/services increase, demand for other thing increases. like labour

trade unions: associations representing workers' interests. general unions support workers from different industries. there can be craft unions, non-manual unions, industrial unions, etc

collective bargaining: how trade unions negotiate with employers over wage and non-wage benefits

arbitration: involves employers and unions agreeing to let independent referee (often senior govt official/lawyer) to settle industrial dispute.

overtime ban: workers refuse to work more than normal hours.

work to rule: workers deliberately slow production by complying rigidly with every rule and regulation

go-slow: workers carry out tasks slowly to reduce production

strike: workers refuses to go into to work and protest, picket outside work to stop deliveries and prevent non-unionized workers from working.

specialization: the process by which an employee becomes more skilled at a subset of work, doing what you're best at

division of labour: one person specializes at one task of production rather than the whole process.

horizontal integration: EoS, increases market share. same level of production

unit 3 (cont)

vertical backward integration: secures supply and quantity of goods. goes towards suppliers/primary sector

vertical forward integration: captures retail market. goes towards consumers

take-over: one company buys shares of another, can be hostile or friendly

unit 5

less-developed economy: lower levels of human/economic development, diversification, low industrial development, lack of infrastructure, low education levels and skills, low average incomes and poor living standards, low average life expectancy

unit 3 cont.

merger: two companies join for a new company with a new name.

joint venture: two businesses set up separate, new business for a short period of time

conglomerate integration: mergers and takeovers of two firms making a diversified portfolio by producing different products

EoS: number of units produced increase, cost per unit decreases

diseconomies of scale: the rise in cost per unit as output increases.

internal EoS: when companies increase output to reduct costs, external: when costs fall because industry is growing, costs fall

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production: total output of goods/services in production process, increased by using factor inputs/ increased productivity of FoP

unit 3 cont. (cont)

productivity: measure of degree of efficiency in use of factor inputs in production process av. of output/worker, revenue/sales, output/machine

fixed costs: CoP paid regardless of how much is produces. (rent, salaries, etc)

variable costs: CoP that change with output (raw materials, wages)

revenue: money payable to a hushes from sales of product.

break-even: the point at which the total revenue = the total costs

profit maximisation: goal of private sector firms, pos. difference between firm's revenue and costs.

market structure: how many firms are in a structure, the influence of the firms on pricing, differences among products, barriers to entry/exit

perfect competition: large no. of firms that have equal say in pricing. buyers buy homogenous product, no obstacles to entry/exit.

monopolistic competition: many firms, products differ, low price control

unit 3 cont.

oligopoly: market controlled by few main firms

monopoly: one seller of particular good/service