

ECONOMICS

Economics Definition Summary

Globalisation: the process of increasing integration between economies

Free trade: the import and export of goods and services between countries without man-made barriers

Trade liberalisation: the removal of man-made barriers to the import and export of goods and services between countries

Protection: the imposition of man-made barriers upon international trade

Investment: the purchasing of assets with the intention of generating a profit from them in the future

Speculation: the undertaking of risky short to medium-term investments with the intention of generating a profit from them in the future

Transnational Corporation: a firm with operations in more than one country

Business Cycle: the fluctuations in economic activity in an economy over time

Financial deregulation: the removal of man-made barriers to lending and borrowing between countries

Economic growth: the increase in the amount of goods and services produced in an economy over a period of time

Economic development: the increase in the living standards in an economy over a period of time

Living standards: the wellbeing of individuals in an economy based on various factors affecting them

Global income inequality: the unevenness in the way income and wealth are distributed between countries

Balance of payments: the record of Australia's transactions with the world over a period of time

Current account: the record of Australia's non-reversible transactions with the world over a period of time

Balance on Goods and Services (BOGS): the record of the difference between payments and earnings on Australia's trade in goods and services

Net primary income account (NPY): the record of the difference between payments and earnings on investment into and out of Australia

Net secondary income account (NSY): the record of the difference between inflows and outflows of money to Australia with no corresponding good or service in exchange

Capital and financial account: the record of Australia's reversible transactions with the world over a period of time

Financial account: a record of Australia's transactions in foreign financial assets and liabilities

Direct investment: the purchasing of 10% or more of the shares in a foreign company, often with the intention to assume a degree of control over its management

Portfolio investment: the purchasing of 10% or less of the shares in a foreign company

Current account deficit (CAD): the amount by which Australia spends more than it earns in external non-reversible transactions in a year

Valuation effect: where changes in the exchange rate alter the value of debt denominated in foreign currencies

Exchange rate: the value of one currency in terms of another

Free trade agreement (FTA): an agreement between two or more countries to lower man-made barriers to trade between them

Multiplier effect: the effect by which injections into the economy bring about greater than proportional increases in AD

Unemployment: the situation in which an individual is not employed, but is willing, able and actively seeking employment

Unemployment rate: the proportion of the labour force that is unemployed

Non-accelerating inflation rate of unemployment (NAIRU): the unemployment rate at which there is no cyclical unemployment

Inflation: a rise in the general price level in an economy over a period of time

Demand-pull inflation: when AD rises faster than AS resulting in a shortage that causes prices to rise

Cost-push inflation: when increases in the prices of inputs to the production process cause firms to increase the prices of their outputs to maintain their profit margins

External stability: the situation in to which an economy is able to meet its international financial commitments

Inequality in the distribution of income and wealth: the unevenness in the way income and wealth are dispersed between individuals and demographics in an economy

Progressive taxation system: where the tax rate increases as the taxable base increases

Macroeconomic policy: policy that works on the demand-side to influence the level of AD in the economy

Fiscal policy: a macroeconomic policy conducted by the government in which it uses its levels of expenditure and taxation to influence the level of AD in the economy

Monetary policy: a macroeconomic policy conducted by the RBA in which it alters the supply of loanable funds for banks, to change interest rates and thus to indirectly influence the level of AD in the economy

Microeconomic policy: policy that works on the supply-side to increase the level of AS in the economy

Labour market: the market for the labour factor of production

Industrial relations system: the laws, institutions and systems established to manage the relationship between employers and employees

Environment: the totality of the physical conditions in which both humans and other organisms live

Environmental sustainability: economic activity that does not degrade the physical conditions in which both humans and other organisms live

Market failure: when the private costs and benefits of transactions don't take into account all of the social costs and benefits

Externality: a cost or benefit resulting from economic activity that is incurred by a party that did not choose to incur it

Free rider: an individual that benefits from a good or service without contributing to its funding by paying a fair share of the cost

Non-renewable resource: a resource that does not naturally replenish itself quickly enough to allow its continual usage without depletion

Climate change: a long-term change in the Earth's climate caused by the release of greenhouse gases. These cause the greenhouse effect by reflecting heat that is radiated from the Earth and hence increasing temperatures

Pollution: the degradation of the environment by the release of substances or energies