

term	not term
Positive externality	usually unintended, positive effect
Fractional Reserve Banking	a banking system in which banks hold only a fraction of deposits as reserves
Dissaving	the action of spending more than one has earned in a given period
Nominal Income	income not adjusted for inflation
Inferior goods	goods that have an income elasticity that is negative
Production Possibilities	production tradeoffs of an economy given fixed resources
Decision to invest	the decision to invest ( ? )
Tax bracket	a range of incomes taxed at a given rate
Inflationary Gap	amount by which the actual gross domestic product exceeds potential full-employment GDP
Capital account	reflects net change in ownership of national assets
Consumer Price Index (CPI)	ratio of the value of the fixed basket purchased by the typical consumer to the basket's value in the base year multiplied by 100
Autonomous saving	household saving that is unrelated to income or production
Inflation	an increase in the overall level of prices
Liquidity	the ease with which an asset can be converted into the economy's medium of exchange
Nominal rate of interest	rate of interest not adjusted for inflation
Supply shocks	event that suddenly changes the price of a commodity or service
Spillover costs	some loss or damage that a market transaction causes a third party
Absolute Advantage	the ability of an individual or group to carry out a particular economic activity more efficiently than another individual or group
Net export effect	any monetary or fiscal policy action is magnified (+ or -) by the effect that the change in U.S. dollar value (interest rates effect exchange rates) has on import and export prices
Expansion	increase in the level of economic activity, and of the goods and services available
Quantity Theory of money	theory that the quantity of money determines prices and the growth rate of money determines inflation
Marginal Benefit (MB)	good or service is the gain from an increase in the consumption of that good or service
M1	currency, demand deposits, traveler's checks, other checkable deposits
Normal goods	goods that have an income elasticity that is positive
Underground economy	the part of a country's economic activity that is unrecorded and untaxed by its government
Open Market Operations	the purchase and sale of U.S. government bonds by the Fed
Macroeconomic long run	conceptual time period in which there are no fixed factors of production, so that there are no constraints preventing changing the output level by changing the capital stock or by entering or leaving an industry
Relative prices	price of a commodity such as a good or service in terms of another; i.e., the ratio of two prices
Intermediate goods	used as inputs in the production of other goods including final
Recession	a period of mildly falling incomes and rising unemployment
Marginal Propensity to Save (MPS)	increase in saving (non-purchase of current goods and services) that results from an increase in income
Income effect	change in consumption resulting from a change in real income
Contractionary fiscal policy	occurs when government spending is lower than tax revenue, and is usually undertaken to pay down government debt
Gross Domestic Product	market value of all final goods and services produced within a country in a given period of time
Average tax rate	ratio of the total amount of taxes paid to the total tax base (taxable income or spending), expressed as a percentage
Allocative Efficiency	economic efficiency in which economy/producers produce only those types of goods and services that are more desirable in the society and also in high
Functions of money	medium of exchange, unit of account, store of value
Budget deficit	when the government's spending budget exceeds it's income
Current account	an account with a bank or building society from which money may be withdrawn without notice, typically an active account catering for frequent deposits and withdrawals by cheque
Theory of Liquidity Preference	the demand for money, considered as liquidity
Trade-offs	a balance achieved between two desirable but incompatible features; a compromise
Marginal Analysis	examination of the additional benefits of an activity compared to the additional costs of that activity
Disposable Income	income remaining after deduction of taxes and other mandatory charges, available to be spent or saved as one wishes
Economic Growth	an increase in the amount of goods and services produced per head of the population over a period of time
Comparative Advantage	the ability of an individual or group to carry out a particular economic activity (such as making a specific product) more efficiently than another activity
Non-renewable resources	resource that does not renew itself at a sufficient rate for sustainable economic extraction in meaningful human time-frames
Marginal Tax Rate	tax rate an individual would pay on one additional dollar of income
Opportunity Cost	whatever is given up to get something else
Trough	the lowest turning point of a business cycle
Domestic Price	the current price for a specific good or service in an economy