# Economics and Business glossary

## A

argument

A claim justified with reference to evidence.

## B

bank

An organisation that acts as an intermediary between depositors, who lend their money to the bank with payment of interest, and borrowers, to whom the bank lends money and charges interest.

basic economic problem

How to satisfy unlimited consumer needs and wants with limited economic resources; too few goods and services being sought by unlimited consumer demand (scarcity).

budget

A financial planning tool that gives an overview of income and expenses to plan for and achieve financial objectives.

business

An organisation or enterprise engaged in producing or buying and selling goods and services, usually for profit.

business environment

The contemporary events or trends that influence a business, industry or market.

## C

capital resources

Human-created resources used in the process of production, including tangible items, such as cash or machinery, or intangible items, such as intellectual property or human capital (knowledge).

casual employee

An employee who does not have permanent employee status and is therefore not guaranteed a set number of employment hours or entitlements guaranteed to permanent employees. Casual employees often receive a higher hourly rate as compensation.

circular flow

An economic model that shows how money and goods and services move through an economy in a constant loop from producers to consumers and back again.

competitive advantage

A factor or set of factors that gives a business an edge over its competitors, such as lower costs of production, higher quality or a better location, which allows the business to attract more customers and increase market share.

consumer

An individual or group that purchases goods and services produced in the economy for personal use; the final user of a good or service.

consumer and financial decision-making

Making choices about strategies to manage personal resources, such as how money will be used.

consumer sovereignty

The principle of consumers determining the demand for goods and services through their purchasing power, and therefore exerting a powerful influence on what is produced and how it is produced.

corporation

A business organisation with a legal entity, separate and distinct from its owners; also called a company. A corporation can enter into contracts, borrow/lend money, sue or be sued, hire employees, own assets and pay taxes. The owners/shareholders of a corporation are not personally liable for the debts of the company.

cost-benefit analysis

Analysis that weighs up the potential economic material and non-material costs and benefits of an economic decision.

## D

data

A general term for a set of observations or measurements collected during an investigation. Primary data is collected by the person carrying out the investigation; secondary data is collected by others.

demand

The quantity or amount of a good or service a consumer is willing to purchase at a set price. The level of consumer demand will change according to the price, availability and desirability of a product, which is determined by consumer tastes and income levels.

## E

economic decision-making

The process of deciding between alternative uses of economic resources.

economic growth

An increase in the real value of goods and services produced in an economy over a period of time, usually measured by an increase in real GDP. Economic growth has both positive and negative consequences.

economic indicator

A data set that provides information about economic performance, such as employment rates, inflation rates (CPI) and gross domestic product (GDP) growth rates, and used by the government to predict/evaluate the performance of the economy during a period of time.

economic performance

A measure of the overall achievement of economic objectives using a variety of economic indicators as measurement, such as gross domestic product (GDP), employment rates, inflation rates (CPI), number of building approvals and retail sales figures.

economic policy

A set of actions proposed by a government designed to achieve established economic goals and objectives.

economic resources

The inputs required by a producer to complete the production process of goods and/or services.

economic wellbeing

The extent to which peoples’ material and non-material needs and wants are being met.

economics and business issue

An economic, business or financial event or set of factors that necessitates economic decision-making about the use and distribution of economic resources.

economies of scale

The economic advantages enjoyed by large-scale producers of a product or set of products, such as reduced costs of production due to ability to purchase inputs in bulk, greater ability to purchase capital items, etc. Economies of scale result in the ability to produce at a lower cost per unit.

economy

A process or system that coordinates resource allocation for the production, distribution and consumption of goods and services within and across countries.

effectiveness

A measure of how well or to what extent stated goals have been achieved.

efficiency

The ratio of the value of inputs to outputs during a process of production; to increase or maintain production while simultaneously reducing production costs is greater efficiency.

employer group

An organisation established to protect the interests of a group of employers, usually in the same industry.

enterprise

Personal qualities, such as initiative and foresight, that allow an individual to recognise market opportunities and coordinate the production process effectively.

entrepreneur

An individual who is willing to risk personal assets to start new business ventures in the pursuit of profit.

exchange rate

The value of one currency in terms of another (e.g. the value of the Australian dollar to the US dollar). Exchange rates vary from day to day and are influenced by international currency markets.

## F

fake news

The dissemination of views, opinions, rumours and gossip, usually with no basis in fact, in the guise of genuine information/news on social media.

financial literacy

The ability to understand and apply different financial skills effectively, including personal financial management, managing debt, investing, budgeting and saving.

financial objectives

Goals that relate to consumer and financial decisions, such as reaching a savings goal or paying a debt by a certain time.

financial risk

The consequences associated with not making a positive return on financial decisions, such as investments.

financial wellbeing

The ability to manage finances in the present and the future to achieve financial objectives, including monetary commitments that are known and unexpected financial challenges.

fiscal policy

Government use of expenditure, taxation and revenue to influence economic conditions, especially macroeconomic conditions. Fiscal policy is based on the economic theories of JM Keynes, which state that governments can influence demand and supply by affecting tax levels and levels of public spending.

free market

An economic system with only a small amount of government intervention in the market.

full-time employee

Someone who is employed and usually works 35 hours or more each week.

## G

global economy

The production, distribution and consumption of products on an international level; incorporates international trade.

globalisation

The growing economic interdependence of countries because of increased international trade; has occurred due to removal of trade barriers (free trade) and increases in global technology and communications.

good

A physical product that can satisfy individual or societal needs and/or wants.

gross domestic product (GDP)

The total market value of goods and services produced over a period of time, usually 12 months, minus the costs of production.

## H

human resource management

The management of the human resources/employees within a business.

## I

income

Money received by individuals and businesses in exchange for work, production of goods and services, share dividends, rent and as a return on investment over a period of time.

inflation

The average increase in the level of prices over a period of time, leading to a fall in the purchasing power of consumers.

innovation

Development and application of new/original ideas that are an improvement to what is currently offered (e.g. new products, technology or a new system).

insurance

A legal contract between an individual, business or group aimed at providing financial protection against unexpected events, such as natural disasters, accidents, illness or public liability.

intangibles

Non-physical assets, such as patents and trade names, and items and economic services.

interdependence

Interconnections and mutual reliance between participants in the economy that involve flow-on effects.

interest

The price paid to borrow money or the cost charged when lending money to another; can be thought of as rent paid to use someone else’s money.

investment

The commitment of resources, usually money, with a view to achieve benefits in the form of growth later.

## L

labour

The human resources required for production.

living standards

The amount of wealth, comfort, material goods and necessities available to a particular individual, society or country, which may vary over time and in response to changing economic conditions; includes both material and non-material factors.

## M

macroeconomics

The study of the whole economy and the variables affecting it, usually at the government level.

market

A physical or virtual space where buyers and sellers meet to exchange goods and services, usually for money.

marketing

All activities involved in promoting and selling the products of an organisation.

material living standards

The factors that influence a person’s level of wellbeing that can be measured in financial terms, such as income level and cost of housing.

monetary policy

The macroeconomic policy controlled by the Reserve Bank involving changes to the price and availability of money through management of money supply and interest rates.

multinational (transnational) organisations

Businesses that operate across country borders, and may have headquarters in one country and produce products in one or more other countries.

## N

natural resources

A category of economic resources that are naturally occurring, such as land, minerals and water.

needs

Essential goods and services required by a consumer, such as food, shelter and basic clothing.

## O

opportunity cost

The value of the next best alternative that is given up when an economic decision is made.

## P

permanent part-time worker

An employee who works fewer than 35 hours per week but receives the same entitlements, pro rata, as full-time workers, such as annual leave.

price mechanism

The system in which data about consumer demand and producer willingness to supply a product at designated price points is combined to establish the equilibrium price.

producer

An individual or business involved in the creation of goods and/or services.

productivity

The efficiency with which an economy employs resources to produce goods and services.

products

Goods or services.

public relations

Activities to create and maintain a positive public image for an individual or organisation.

## R

Reserve Bank of Australia (RBA)

The Australian central bank; a public institution that manages the nation’s currency, money supply and interest rates.

resource allocation

How the factors of production are used to satisfy people’s needs and wants; involves decisions about what to produce, how to produce and who will get the finished products.

resources

The materials used to produce goods and services that satisfy needs and wants. The 4 economic resources (factors of production) are land, labour, capital and enterprise. Production usually requires the combination of resources.

revenue

Money earned from the sale of products.

rights and responsibilities of individual consumers and businesses

The freedoms individuals and businesses are entitled to by law when buying or selling products and the obligations that ensure that those rights are protected.

## S

savings plan

A financial planning process used to retain a portion of income instead of spending it on the consumption of goods or services with the goal of building income or wealth over time.

scam

A dishonest scheme seeking to fraudulently access the money or the assets of others.

scarcity

The basic economic problem of the gap between peoples’ unlimited needs and wants and the limited resources available to satisfy those wants.

sectors

The 3 fields that organise industry: primary, secondary and service (tertiary). The primary sector produces goods that are natural resources, raw materials or grown through farming or harvesting, such as fishing. The secondary sector transforms primary products into finished goods through factories, etc. The service (tertiary) sector is made up of service providers, such as lawyers, tradespeople, health and education providers, etc.

services

An intangible product that involves purchasing a person’s skills, knowledge or expertise, as in education, health care and transportation.

shares

Part ownership of a corporation (company).

smart shopper

Someone who conducts research before making a purchase by comparing price and quality (overall value) between products and sellers and then makes the purchase decision based on this research.

substitute product

An alternative product that can be used for the same purpose as another product.

superannuation

A fund that employees and their employers make regular payments into to provide for the employee’s retirement in later life.

supply

The quantity of a good or service a producer is willing to offer for sale at a designated price point. An increase in price is likely to increase the quantity available for sale and vice versa.

supply chain

The sequence of processes involved in the production and distribution of a product; involves sourcing and movement of inputs and distribution processes.

## T

taxation

Collection of revenue by government to be used to provide government services.

tax file number

A reference number issued to individuals for taxation and superannuation purposes.

trade

The buying and selling of goods and services.

trade union

An organisation with a membership made up of employees, usually from the same industry, who unite to protect and maintain their rights, ages and conditions in the workplace.

types of business

Businesses of different sizes and structures: sole proprietorship, partnership, cooperative, franchise, not-for-profit, social enterprise, public or private company. Each business type has its own legal and financial implications.

## V

valid

Logically or factually sound.

## W

wants

Goods or services that are desired to provide satisfaction to the user, but which are not necessary for survival or to meet the basic standard of living in a community.

work

Labour to produce goods or services, often in exchange for income.