Small Simple Dictionary of Economic Terms

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Economics, like other sciences and arts, has its own language. Without knowledge of this language, it is very difficult to understand economics. This has stopped many from following local, national and international economic developments. Often when I mention that economics is my field of interest, it creates a sense of uneasiness since, unlike politics and sports, where almost everyone has an opinion, no one has much to say, and the conversation quickly changes to other things. This is unfortunate because economics is everywhere and is one of the most essential factors in our lives. It touches almost every activity we undertake. Even in detective movies, they say "follow the money" when trying to find the murderer. But also, it is challenging to have an economics dictionary handy, so I dedicated this chapter to explaining simply about 200 of the common economic terminologies. For some, it may be overly simplified; if that is the case, they can always refer to the Oxford Dictionary of Economics.

Aggregate demand: is the total demand for final goods and services in an economy at a given time.

Aggregate expenditure: the total amount of expenditure on goods and services.

Aggregate supply: the total amount of domestic goods and services that businesses and government supply, including consumer products and capital goods.

Arbitration: is a procedure for settling disputes in which a neutral third party or arbitrator issues an award binding upon each side after hearing presentations from all sides in a dispute.

Asset: is any item of belonging or property owned by a person or a business with a monetary value. Assets are of three main types: a) physical, b) financial and c) intangible.

Average cost: equal to total cost divided by the number of goods produced

Average propensity to consume (APC): the percentage of income spent on goods and services rather than savings.

Average propensity to save: the proportion of saved income rather than spent on goods and services.

Average rate of taxation: the total tax paid by an individual divided by the total income upon which the tax was based.

Average revenue: is the total revenue received (price and number of units sold) divided by the number of units.

Bad debt: is an accounting term for money owed that is unlikely to be paid.

A balanced budget is a budget in which revenues are equal to expenditures.

Balance of trade: the difference between the value of exports and the value of imports.

Balance sheet: a statement of the assets, liabilities, and capital of a business or other organization at a particular point in time, detailing the balance of income and expenditure over the preceding period.

Balance of payments: a statement of a country's trade and financial transactions with the rest of the world over a period of time, usually one year.

Bankruptcy or insolvency: a condition under which a person or firm's liabilities to creditors exceed assets. Therefore, the individual or firm cannot pay all liabilities from its assets.

Barter: exchange (goods or services) for other goods or services without using money.

Base rate: the interest rate that commercial banks use to calculate the rate of interest to be charged on loans and overdrafts to their customers.

Bear: a market condition in which the prices of securities fall, and widespread pessimism causes the negative sentiment to be self-sustaining. As investors anticipate losses in a bear market and selling continues, pessimism only grows.

Bearer bonds: is a debt security issued by a business entity, such as a corporation or government. It differs from the more common types of investment securities in that it is unregistered – no records are kept of the owner or the transactions involving ownership.

Bill of exchange: financial security representing an amount of credit extended by one business to another for a short period of time.

A black market: or underground economy, is a market in which goods or services are traded illegally.

Blue Chip: a nationally recognized, well-established and financially sound company. Blue chips generally sell high-quality, widely accepted products and services. Blue chip companies are known to weather downturns and operate profitably in the face of adverse economic conditions,

which help to contribute to their long record of stable and reliable growth.

Bond: financial security issued by businesses and by the government as a means of borrowing long-term funds. Bonds are typically issued for a period of several years; they are repayable on maturity and bear a fixed interest rate.

Bonus shares: shares issued to existing shareholders without further payment on their part.

Boom: a business cycle phase characterized by full employment output levels and some upward movement on the general price level.

Brokerage: is a financial institution that facilitates the buying and selling of financial securities between a buyer and a seller.

Business cycle: the fluctuations in economic activity that an economy experiences over some time. A business cycle is defined in terms of periods of expansion or recession.

Capital: Adam Smith defines capital as "That part of a man's stock which he expects to afford him revenue."

Capital gains: is a profit that results from a disposition of a capital asset, such as stock, bond or real estate, where the amount realized on the disposition exceeds the purchase price.

Capital market: financial markets for the buying and selling of long-term debt or equity-backed securities. These markets channel the wealth of savers to those who can put it to long-term productive use, such as companies or governments making long-term investments.

Carbon tax: is a tax levied on the carbon content of fuels. It is a form of carbon pricing. Carbon is present in every hydrocarbon fuel (coal, petroleum, and natural gas) and is released as carbon dioxide when they are burnt.

Cartel: an agreement between competing firms to control prices or exclude entry of a new competitor in a market. It is a formal organization of sellers or buyers that agree to fix selling prices, purchase prices, or reduce production using a variety of tactics.

Cash flow: the movement of money into or out of a business, project, or financial product. It is usually measured during a specified, limited period of time.

Cash ratio: the ratio of a company's total cash and cash equivalents to its current liabilities.

The central bank, also a reserve bank or monetary authority: manages a state's currency, money supply, and interest rates. Central banks also oversee the commercial banking system of their respective countries.

Classical economics: assert that markets function best without government interference. It was developed in the late 18th and early 19th century by Adam Smith, Jean-Baptiste Say, David Ricardo, Thomas Malthus, and John Stuart Mill.

Closed economy: an economy where no activity is conducted with outside economies. A closed economy is self-sufficient, meaning that no imports are brought in and no exports are sent out. The goal is to provide consumers with everything they need within the economy's borders.

Commercial banks: is a type of bank that provides services such as accepting deposits, making business loans, and offering basic investment products.

Commodity: a marketable item produced to satisfy wants or needs. Economic commodities comprise goods and services.

Commodity exchange: is where various commodities and derivative products are traded. Most commodity markets worldwide trade in agricultural products and other raw materials (like wheat, barley, sugar, maize, cotton, cocoa, coffee, milk products, pork bellies, oil, metals, etc.) and contracts based on them.

Consumer good: any commodity produced and subsequently consumed by the consumer to satisfy its current wants or needs.

Consumer price index: a consumer price index (CPI) measures changes in the price level of a basket of consumer goods and services purchased by households.

Convertibility: the quality that allows money or other financial instruments to be converted into other liquid stores of value. Convertibility is important in international trade, where instruments valued in different currencies must be exchanged.

Cost control: refers to the efforts business restrictions managers make to monitor, evaluate, and trim expenditures.

Credit: the trust allowing one party to provide money or resources to another party where that second party does not reimburse the first party immediately (thereby generating a debt) but instead arranges either to repay or return those resources later.

Credit union: a member-owned financial cooperative democratically controlled by its members and operated to promote thrift, provide credit at competitive rates, and provide other financial services to its members.

Currency: refers to money in any form when in actual use or circulation as a medium of exchange, especially circulating banknotes and coins.

Currency depreciation: is the loss of value of a country's currency with respect to one or more foreign reference currencies, typically in a floating exchange rate system.

Debt: refers to money owed by one party, the borrower or debtor, to a second party, the lender or creditor. Debt is generally subject to contractual terms regarding the amount and timing of repayments of principal and interest.

Deficit: is an excess of expenditures over revenue in a given period.

Deflation: is a decrease in the general price level of goods and services.

Demand: a buyer's willingness and ability to pay a price for a specific quantity of a good or service. Demand refers to how much (quantity) of a product or service is desired by buyers at various prices.

Depreciation: allocating the cost of a tangible asset over its useful life.

Depression: is a sustained, long-term downturn in economic activity in one or more economies.

Devaluation: a reduction in the value of a currency for those goods, services or other monetary units with which that currency can be exchanged.

Direct costs: refer to materials, labour and expenses related to the production of a product (such as a particular project, facility, function or product). Indirect costs may be either fixed or variable. Indirect costs include administration, personnel and security costs. These are those costs which are not directly related to production. Some indirect costs may be overhead.

Disequilibrium: the opposite of equilibrium, which is the condition of a system in which all competing influences are balanced.

Diversification: means reducing risk by investing in a variety of assets.

Dividend: is a payment made by a corporation to its shareholders, usually as a distribution of profits.

Division of labour: is the specialization of cooperating individuals who perform specific tasks and roles.

Dow Jones Industrial Average: is a stock market index and one of several indices created by *Wall Street Journal* editor and Dow Jones & Company co-founder Charles Dow.

Dumping: the act of charging a lower price for the same goods in a foreign market than one charge for the same goods in a domestic market for consumption in the exporter's home market.

Durable goods: goods that do not quickly wear out, or more specifically, ones that yield utility over time rather than being completely consumed in one use. Items like bricks could be considered perfectly durable because they should never wear out theoretically.

Earned income: any income that a person or company receives for work they have done.

Economic efficiency: an economic state in which every resource is optimally allocated to serve each person in the best way while minimizing waste and inefficiency.

Economic good: an economic good is a good or service that has a benefit (utility) to society.

Economic sanction: domestic penalties applied unilaterally by one country (or multilaterally, by a group of countries) on another country (or group of countries). Economic sanctions may include various forms of trade barriers and restrictions on financial transactions.

Economics: is the social science that describes the factors determining the production, distribution and consumption of goods and services.

Entrepreneur: in charge of the process of starting a business, a startup company or another organization. The entrepreneur develops a business plan, acquires the human and other required resources, and is fully responsible for its success or failure.

Equity: is the difference between the value of the assets/interest and the cost of the liabilities of something owned. For example, if someone owns a car worth $25,000 but owes $10,000 on that car, the car represents $15,000 equity. Equity can be negative if liability exceeds assets.

European Economic Community (EEC): is an economic union created by the Treaty of Rome of 1957. Upon the European Union (EU) formation in 1993, the EEC was incorporated and

renamed the European Community (EC). In 2009 the EC's institutions were absorbed into the EU's broader framework, and the community ceased to exist.

European Currency Unit (ECU): a basket of the currencies of the European Community member states, used as the unit of account of the European Community before being replaced by the euro on 1 January 1999, at parity.

Exchange rate (also known as a foreign-exchange rate): the rate at which one currency will be exchanged for another.

Exports:is selling goods and services produced in the home country to other markets. The export of commercial quantities of goods normally requires the involvement of the customs authorities in both the country of export and the country of import.

Face value: the value printed or depicted on a coin, banknote, postage stamp, ticket, etc., especially when less than the actual or intrinsic value.

Factors of production: describes the inputs that are used in the production of goods or services in the attempt to make an economic profit. The factors of production include land, labour, capital and entrepreneurship.

Finance: is a field that allocates assets and liabilities over time under conditions of certainty and uncertainty.

Fiscal policy: the means by which a government adjusts its spending levels and tax rates to monitor and influence a nation's economy. It is the sister strategy to monetary policy through which a central bank influences a nation's money supply.

Foreign-exchange market: is a global market for the trading of currencies. In terms of volume of trading, it is by far the largest market in the world.

Free market: is a market economy based on supply and demand with little or no government control. A completely free market is an idealized form of a market economy where buyers and sellers are allowed to transact freely.

Free trade: is a policy in international markets where governments do not restrict imports or exports. Free trade is exemplified by the European Union / European Economic Area and the North American Free Trade Agreement.

Futures: is a financial contract obligating the buyer to purchase an asset (or the seller to sell an asset), such as a physical commodity or a financial instrument, at a predetermined future date

and price. Futures contracts detail the quality and quantity of the underlying asset; they are standardized to facilitate trading on a futures exchange.

Gross national product (GNP): the market value of all the products and services produced in one year by labour and property supplied by the citizens of a country.

Government securities: is issued by a government authority, with a promise of repayment upon maturity that is backed by said government. Government security may be issued by the government itself or by one of the government agencies. These securities are considered low-risk since the government's taxing power backs them.

Hard currency: a currency, usually from a highly industrialized country that is widely accepted worldwide as a form of payment for goods and services.

Hedge: investing to reduce the risk of adverse price movements in an asset.

Holding company: a company that owns other companies' outstanding stock. The term usually refers to a company that does not produce goods or services itself; instead, its purpose is to hold shares of other companies to form a corporate group.

Hyperinflation: occurs when a country experiences very high and usually accelerating rates of inflation, rapidly eroding the real value of the local currency and causing the population to minimize their holdings of the local money.

Hypothesis: is a supposition or proposed explanation made on the basis of limited evidence as a starting point for further investigation.

International Labour Organization (ILO): is a United Nations agency dealing with labour issues, particularly international labour standards, social protection, and work opportunities for all.

International Monetary Fund (IMF): an international organization created for:

1. Promoting global monetary and exchange stability.
2. Facilitating the expansion and balanced growth of international trade.
3. Assisting in the establishment of a multilateral system of payments for current transactions.

Import duties: a tax collected on imports by the customs authorities of a country. This tax is used to raise state revenue.

Import quota: a limit on the quantity of a good that can be produced abroad and sold domestically.

Import restrictions: a limit on the quantity of a good that can be produced abroad and sold domestically. It is a type of protectionist trade restriction that sets a physical limit on the quantity of a good that can be imported into a country in a given period of time.

Income: money received, especially regularly, for work or through investments.

Income tax: is a government levy (tax) imposed on individuals or entities (taxpayers) that varies with the income or profits (taxable income) of the taxpayer.

Inflation: a sustained increase in the general price level of goods and services in an economy over a period of time.

Infrastructure: the basic physical and organizational structures and facilities (e.g., buildings, roads, and power supplies) needed to operate a society or enterprise.

Insurance: a practice or arrangement by which a company or government agency guarantees compensation for specified loss, damage, illness, or death in return for premium payment.

Interest: the charge for the privilege of borrowing money, typically expressed as an annual percentage rate.

Inventories: a complete list of items such as property, goods in stock, or building contents.

Investment: is the purchase of an asset or item with the hope that it will generate income or appreciation in the future and be sold at a higher price.

'Invisible Hand': a metaphor used by Adam Smith to describe unintended social benefits resulting from individual actions. Smith employs the phrase with respect to income distribution and production.

International Trade Commission (ITC): is an independent, bipartisan, quasi-judicial, federal agency of the United States that provides trade expertise to both the legislative and executive branches.

Labour: work, especially physical work.

Labour intensive: needing a large workforce or a large amount of work in relation to the output.

Laissez-faire: an economic system in which transactions between private parties are free from government interference such as regulations, privileges, tariffs, and subsidies. The phrase *laissez-faire* is part of a larger French piece and translates to “let (it/them) do,” but in this context usually means “let it be” or “let it go.”

Land: considered a factor of production, along with labour and capital. Selling land results in a capital gain or loss.

Lease: a contractual arrangement calling for the lessee (user) to pay the lessor (owner) for use of an asset. Broadly put, a lease agreement is a contract between two parties, the lessor and the lessee.

Linear programming: a method to achieve the best outcome (such as maximum profit or lowest cost) in a mathematical model whose requirements are represented by linear relationships.

Liquid: how quickly you can get your hands on your cash. In simpler terms, liquidity is to get your money whenever you need it.

Liquidation: is the process by which a company (or part of a company) is brought to an end, and the assets and property of the company are redistributed.

Lump-sum tax: a fixed amount, no matter the change in circumstance of the taxed entity.

Macroeconomics: a branch of economics dealing with the performance, structure, behaviour, and decision-making of an economy as a whole rather than individual markets. This includes national, regional, and global economies.

Market: one of the wide varieties of systems, institutions, procedures, social relations and infrastructures whereby parties engage in exchange.

Market share: the percentage of an industry or market’s total sales that a particular company earns over a specified period. Market share is calculated by dividing the company’s sales over the period by dividing it by the industry’s total sales over the same period.

Maturity: the date on which the principal amount of a note, draft, acceptance bond or other debt instrument becomes due and is repaid to the investor and interest payments stop. It is also the termination or due date on which an installment loan must be paid in full.

Microeconomics: a branch of economics that studies the behaviour of individuals and small impacting organizations in making decisions on allocating limited resources.

Mixed economy: an economic system that features characteristics of both capitalism and socialism. A mixed economic system allows private economic freedom in capital use and allows governments to interfere in economic activities to achieve social aims.

Monetary policy: the authority of a country controlling the supply of money, often targeting an inflation rate or interest rate to ensure price stability and general trust in the currency.

Money market: as money became a commodity, the money market became a component of the financial markets for assets involved in short-term borrowing, lending, buying and selling with original maturities of one year or less. Trading in money markets is done over the counter and is wholesale.

Money supply: the total amount of monetary assets available in an economy at a specific time.

Monopoly: is a market structure in which there is only one producer/seller for a product. In other words, the single business is the industry.

Mortgage: used by individuals and businesses to make large real estate purchases without paying the entire purchase value upfront.

Mutual funds: is a type of professionally managed investment fund that pools money from many investors to purchase securities.

National debt: is the total amount of money that a country's government has borrowed by various means.

National income: is the total amount of money earned within a country.

Net domestic product: equals the gross domestic product (GDP) minus depreciation on a country's capital goods.

Net income: is calculated by taking revenues and adjusting for the cost of doing business, depreciation, interest, taxes and other expenses.

New classical economics: a school of economic thought that originated in the early 1970s in the work of economists centred at the Universities of Chicago and Minnesota—particularly Robert Lucas (recipient of the Nobel Prize in 1995), Thomas Sargent, Neil Wallace, and Edward Prescott (co-recipient of the Nobel Prize in 2004).

New York Stock Exchange (NYSE): sometimes known as the “Big Board,” is an American stock exchange located at 11 Wall Street, New York, in the United States. It is the world’s largest stock exchange by market capitalization of its listed companies.

Net national product (NNP): is the total market value of all final goods and services produced by a country’s production factors during a given time period, minus depreciation.

Non-tariff barriers: is a form of restrictive trade where trade barriers are set up and take a form other than a tariff. Non-tariff barriers include quotas, levies, embargoes, sanctions and other restrictions and are frequently used by large and developed economies.

Open economy: an economy with economic activities between the domestic community and the outside.

Ordinary share: a form of corporate equity ownership, a type of security. The terms “voting share” or “ordinary share” are also used frequently in other parts of the world, “common stock” is used mainly in the United States.

Organization of Petroleum Exporting Countries (OPEC): a permanent, international organization headquartered in Vienna, Austria, was established in 1960. Its mandate is to coordinate and unify the petroleum policies of its members and to ensure the stabilization of oil markets in order to secure an efficient, economical and regular supply of petroleum to consumers, a steady income to producers, and a fair return on capital for those investing in the petroleum industry.

Paper profit: unrealized capital gain in an investment. It is calculated by comparing the market price of a security to the original purchase price. Gains only become realized when the security is sold.

Peak pricing: a form of congestion pricing where customers pay an additional fee during periods of high demand. Peak pricing is most frequently implemented by utility companies, who charge higher rates during times of the year when demand is the highest.

Pension funds: a fund from which pensions are paid, accumulated from contributions from employers, employees, or both.

Perfect competition: the opposite of a monopoly, in which only a single firm supplies a particular good or service, and that firm can charge whatever price it wants. Here many firms compete with each other, leading to lower prices for consumers.

Planned economy: the economic system in which decisions regarding production and investment are made by a central authority, usually by a government agency. Thus it may be termed a "command economy."

Price system: a component of any economic system that uses prices expressed in any form of money for the valuation and distribution of goods and services and the factors of production.

Prime rate: the lowest rate of interest at which money may be borrowed commercially.

Private sector: that part of the economy, sometimes referred to as the citizen sector, which is run by private individuals or groups, usually as a means of enterprise for profit, and is not controlled by the state (areas of the economy controlled by the state being referred to as the public sector).

Profit-sharing: a system in which the people who work for a company receive a direct share of the profits.

Progressive tax: a tax in which the tax rate increases as the taxable amount increases. The term "progressive" refers to the way the tax rate progresses from low to high.

Promissory note: is a signed document containing a written promise to pay a stated sum to a specified person or the bearer at a specified date or on demand.

Public company: a company with securities (equity and debt) owned and traded by the general public through the public capital markets. Shares of a public company are openly traded and widely distributed.

Public expenditure: spending made by the government of a country on collective needs and wants such as a pension, provision, infrastructure, etc. Until the 19th century, public expenditure was limited as laissez-faire philosophies believed that money left in private hands could bring better returns.

Public finance: the study of the role of the government in the economy. The branch of economics assesses the government revenue and government expenditure of the public authorities and the adjustment of one or the other to achieve desirable effects and avoid undesirable ones.

Public sector: the public sector is the part of the economy concerned with providing various government services.

Public utility: an organization that maintains the infrastructure for a public service (often also providing a service using that infrastructure). Public utilities are subject to forms of public control and regulation ranging from local community-based groups to statewide government monopolies.

Purchase tax: a sales tax on nonessential and luxury goods.

Quotas: a legal quantity restriction placed on an imported good that the domestic government imposes.

Rate of return: a profit on an investment over a period of time, expressed as a proportion of the original investment. The time period is typically a year, in which case the rate of return is referred to as an annual return.

Redeemable securities: is a security which can be redeemed at its face value at a specific date in the future.

Resource allocation: the assignment of available resources to various uses. In an entire economy, resources can be allocated by markets, central planning, or some combination of the two.

Resources: a source or supply from which benefit is produced. Typically resources are materials, energy, services, staff, knowledge, or other assets that are transformed to produce benefit and, in the process, may be consumed or made unavailable.

Sales tax: is a tax paid for the sales of specific goods and services. Usually, laws allow (or require) the seller to collect funds for the tax from the consumer at the point of purchase.

Scarcity: is the fundamental economic problem of having seemingly unlimited human wants in a world of limited resources. It states that society has insufficient productive resources to fulfill all human wants and needs.

Securities: is a financial instrument representing an ownership position in a publicly-traded corporation (stock), a creditor relationship with a governmental body or a corporation (bond), or rights to ownership as represented by an option.

Services: service is an intangible commodity such as accounting, banking, cleaning, consultancy, education, insurance, expertise, and medical treatment.

Share: the capital of a company is divided into shares. Each share forms a unit of ownership of a company and is offered for sale so as to raise capital for the company. Shares can be broadly divided into two categories - equity and preference shares.

Social security: any government system that provides monetary assistance to people with inadequate or no income.

Social welfare: the provision of minimal well-being and social support for all citizens, sometimes referred to as public aid.

Socialism: is a social and economic system characterized by social ownership of the means of production and cooperative management of the economy, as well as a political theory and movement that aims at the establishment of such a system.

Soft currency: is a currency which is expected to fluctuate erratically or depreciate against other currencies. Such softness is typically the result of political or fiscal instability within the associated country.

Soft loan: is a loan, typically one to a developing country, made on terms very favourable to the borrower.

Stabilization policy: a package or set of measures introduced to stabilize a financial system or economy. The term can refer to policies in two distinct sets of circumstances: business cycle stabilization and crisis stabilization. In either case, it is a form of discretionary policy.

Stagflation: is persistently high inflation combined with high unemployment and stagnant demand in a country's economy.

Stamp duty: a tax that is levied on documents. Historically, this included the majority of legal documents such as cheques, receipts, military commissions, marriage licences and land transactions.

Standard deviation: the standard deviation (SD) (represented by the Greek letter sigma, σ) is a measure used to quantify the variation or dispersion of a set of data values.

Stock: is the capital a business or corporation raises through issuing and subscribing shares.

Subsidiaries: a company whose voting stock is more than 50% controlled by another company, usually referred to as the parent company or holding company. A subsidiary is a company that is

partly or entirely owned by another company that holds a controlling interest in the subsidiary company.

Subsidy: a form of financial aid or support extended to an economic sector (or institution, business, or individual) generally to promote economic and social policy.

Supply: the amount that firms, consumers, labourers, providers of financial assets, or other economic agents are willing to provide to the marketplace.

Take-over: the purchase of one company (the target) by another (the acquirer or bidder).

Tariffs: is a tax imposed on imported goods and services. Tariffs are used to restrict trade, as they increase the price of imported goods and services, making them more expensive to consumers.

Taxation: the act of a taxing authority levying a tax. Taxation as a term applies to all types of taxes, from income to gift to estate taxes.

Tenders: an offer to carry out work, supply goods, or buy land, shares, or another asset at a stated fixed price.

Term loan: term loans can be given on an individual basis but are often used for small business loans. The ability to repay over a long period of time is attractive for new or expanding enterprises, as the assumption is that they will increase their profit over time.

Transfer costs: the total opportunity cost of moving an item from one place to another, including transport costs, loading and unloading costs, and administrative costs.

Transfer payments: a transfer payment (or government transfer or simply transfer) is a redistribution of income in the market system.

Treasury: is the funds or revenue of a government, corporation, or institution.

Turnover: in accounting, the number of times an asset is replaced during a financial period or the number of shares traded for a period as a percentage of the total shares in a portfolio or of an exchange.

Underwriting: the practice by which investment bankers represent corporate and government entities in the initial public offering of their securities. Investment bankers cover the risk of selling the securities to the public.

Utilitarianism: a theory suggesting that the moral action is the one that maximizes utility. The utility is defined in various ways, including pleasure, economic well-being and the lack of suffering. Utilitarian ethics aims to promote the greatest happiness for the greatest number.

Utility: a measure of preferences over some set of goods and services. The concept is an important underpinning of rational choice theory. Utility is an essential concept in economics because it represents satisfaction experienced by the consumer of a good.

Value-added tax (VAT): is a type of consumption tax placed on a product whenever value is added at a production stage and at the final sale.

Variable costs: is costs vary depending on a company's production volume; they rise as production increases and fall as production decreases. Variable costs differ from fixed costs, such as rent, advertising, insurance and office supplies, which tend to remain the same regardless of production output.

Voting shares: shares that give the stockholder the right to vote on matters of corporate policy-making and who will compose the board of directors.

Warrants: a security that entitles the holder to buy the underlying stock of the issuing company at a fixed price called exercise price until the expiry date.

Welfare economics: a branch of economics that uses microeconomic techniques to evaluate well-being (welfare) at the aggregate (economy-wide) level. A typical methodology begins with the derivation (or assumption) of a social welfare function, which can then be used to rank economically feasible allocations of resources in terms of the social welfare they entail.

Window dressing: a strategy used by mutual fund and portfolio managers near the year or quarter end to improve the appearance of the portfolio/fund performance before presenting it to clients or shareholders. To window dress, the fund manager will sell stocks with large losses and purchase high-flying stocks near the end of the quarter. These securities are then reported as part of the fund's holdings.

Withholding tax: is the amount of an employee's pay withheld by the employer and sent directly to the government as partial payment of income tax.

Working capital: is a financial metric representing operating liquidity available to a business, organization or other entity, including a governmental entity. Working capital is part of operating capital and fixed assets such as plant and equipment.

World Trade Organization (WTO): an intergovernmental organization which regulates international trade.

X-efficiency: the difference between the efficient behaviour of businesses assumed or implied by economic theory and their observed behaviour in practice. It occurs when technical efficiency is not being achieved due to a lack of competitive pressure.

Yield: the income return on investment. This income refers to the interest or dividends received from a security. It is usually expressed annually as a percentage based on the investment's cost, current market value or face value.