

FREE ENTERPRISE
FREE ENTERPRISE

D.W. MOFFAT

INFLATION

ECONOMICS
DICTIONARY

GOVERNMENT

SECTOR

PRIVATE SECTOR

SPIILLOVER

EFFECTS

FREE ENTERPRISE

CENTRALLY

PLANNED ECONOMY

ELSEVIER

ECONOMIC

ECONOMICS DICTIONARY

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PREFACE

This Economics Dictionary is intended as a companion for all who read or listen to the news, or who read trade journals, or who study economics or related business subjects. With increasing frequency we are seeing economics articles in the news, television specials on economics, and well-known economists as guests on programs from news reviews to midnight entertainment. Special concentration was given to including words and expressions (even colloquialisms) that are seen and heard in the news.

Extensive cross-referencing is used because it is impossible to predict whether you would think first *Finance*, *functional* or *Functional finance*. No fixed rule was used — your time is more important than a rule — instead, each such entry was considered carefully and the full definition was included with the form of entry under which it was felt most readers would look; the other entry was included with a cross-reference. In many cases the full definition was included with both (or several) forms of entry.

Regarding the last item, it is well-known that efficiency involves a trade-off. To maximize “economy” (minimize the price of the book) we would repeat nothing, and use a maximum amount of cross-references. To minimize the reader’s time we would repeat full definitions with every form the entry could take. Since neither extreme seemed practical, the rule was to repeat full definitions that are small, whenever it was felt that readers might look in one part of the book as often as the other part.

A dictionary limits itself to short definitions, and an encyclopedia gives thorough explanations — again a compromise was necessary in order to keep to one reasonable-size volume. This time I turned to my students for advice; they ranged from freshmen to those for whom I was thesis advisor — from those in economics classes to those in other business classes. Surprisingly, almost all wanted to see the same depth of explanation:

- for expressions found in the popular and trade press but not in textbooks, give a full explanation
- for expressions involved in controversy, give a summary of what both sides are saying
- ordinary economics expressions found in textbooks should be included, but with only a brief explanation.

These suggestions were appreciated and formed the guidelines for decisions on each entry.

Appreciation must also be expressed for the large number of Federal Reserve publications made available, and the cooperation received when questions were directed to the various districts.

ABBREVIATIONS

If the words are all capitalized, a further explanation will be found under an entry by that name.

AAA	AGRICULTURAL ADJUSTMENT ACT
ABA	American Bankers Association
AEC	Atomic Energy Commission
AFL	AMERICAN FEDERATION OF LABOR
AFL-CIO	AMERICAN FEDERATION OF LABOR — CONGRESS OF INDUSTRIAL ORGANIZATIONS
AMEX	AMERICAN STOCK EXCHANGE
ANOVA	ANALYSIS OF VARIANCE
ASE	AMERICAN STOCK EXCHANGE
BEQB	Bank of England Quarterly Bulletin
BIS	BANK FOR INTERNATIONAL SETTLEMENTS
BL or B/L	BILL OF LADING
BLS	Bureau of Labor Statistics
BOP	Balance of Payments (See BALANCE OF INTERNATIONAL PAYMENTS)
CBD	CASH BEFORE DELIVERY
CBI	CONFEDERATION OF BRITISH INDUSTRY
CCA	CAPITAL CONSUMPTION ALLOWANCES
CCPA	Consumer Credit Protection Act (See CONSUMERISM)
CD	CERTIFICATE OF DEPOSIT
CEA	COMMODITY EXCHANGE AUTHORITY
CEA	COUNCIL OF ECONOMIC ADVISORS
CED	Committee for Economic Development
CGT	CONFÉDÉRATION GÉNÉRALE DE TRAVAIL
CIA	CASH IN ADVANCE
CIO	CONGRESS OF INDUSTRIAL ORGANIZATIONS
CIPC	CASH ITEMS IN THE PROCESS OF COLLECTION
CL	CARLOAD
CNPF	CONSEIL NATIONAL DU PATRONAT FRANÇAIS
COD	CASH ON DELIVERY
C of C	CHAMBER OF COMMERCE
COLA	Cost of Living Allowance (See ESCALATOR CLAUSE)
CPFF	Cost-Plus-Fixed-Fee (See COST-PLUS PRICING)
CPI	CONSUMER PRICE INDEX
CPIF	Cost-Plus-Incentive-Fee (See COST-PLUS PRICING)

CPS	CURRENT POPULATION SURVEY
CWO	CASH WITH ORDER
DAG	DEUTSCHE ANGESTELLTEN GEWERKSCHAFT
DB	DEUTSCHER BEAMTENBUND
DC	DIRECT COSTS
DD	Day of Deposit (See INTEREST DATES)
DGB	DEUTSCHE GEWERKSCHAFTSBUND
DI	DISPOSABLE INCOME
DW	Day of Withdrawal (See INTEREST DATES)
ED	Enumeration District (See CURRENT POPULATION SURVEY)
EDP	ELECTRONIC DATA PROCESSING
EMA	EUROPEAN MONETARY AGREEMENT
EMF	European Monetary Fund (See EUROPEAN MONETARY AGREEMENT)
EOM	END OF MONTH
EPU	EUROPEAN PAYMENTS UNION
ERP	EUROPEAN RECOVERY PROGRAM
FCA	FARM CREDIT ADMINISTRATION
FCA	Federal Reserve Functional Cost Analysis
FCIC	FEDERAL CROP INSURANCE CORPORATION
FCRA	Fair Credit Reporting Act (See CONSUMERISM)
FDIC	FEDERAL DEPOSIT INSURANCE CORPORATION
FEA	Federal Energy Administration
FEB	Full Employment Budget (See CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT)
FHLBB	FEDERAL HOME LOAN BANK BOARD
FHLMC	Federal Home Loan Mortgage Corporation
FIFO	FIRST IN, FIRST OUT
FMCS	FEDERAL MEDIATION AND CONCILIATION SERVICE
FNMA	FEDERAL NATIONAL MORTGAGE ASSOCIATION
FOMC	FEDERAL OPEN MARKET COMMITTEE
FRB	Federal Reserve Board (See BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM)
FRCS	FEDERAL RESERVE COMMUNICATIONS SYSTEM
FRS	FEDERAL RESERVE SYSTEM
FSLIC	FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION
FTC	FEDERAL TRADE COMMISSION
FY	FISCAL YEAR
GAO	General Accounting Office
GATT	GENERAL AGREEMENT ON TARIFFS AND TRADE
GAW	GUARANTEED ANNUAL WAGE
GBL	GOVERNMENT BILL OF LADING
GNMA	GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
GNP	GROSS NATIONAL PRODUCT

GNPIPD	GROSS NATIONAL PRODUCT IMPLICIT PRICE DEFLATOR
GSA	General Services Administration
HEW	Health, Education, and Welfare (Department)
HUD	HOUSING AND URBAN DEVELOPMENT
IBRD	INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
IET	INTEREST EQUALIZATION TAX
I_g	GROSS PRIVATE DOMESTIC INVESTMENT
IMF	INTERNATIONAL MONETARY FUND
I_n	NET PRIVATE DOMESTIC INVESTMENT
I—O	Input—Output (See INPUT—OUTPUT TABLE)
IRA	INDIVIDUAL RETIREMENT ACCOUNT
IRS	INTERNAL REVENUE SERVICE
JOBS	Job Opportunities in the Business Sector
LCL	LESS THAN CARLOAD
LDC	LESS DEVELOPED COUNTRY
LFPR	LABOR FORCE PARTICIPATION RATE
LIFO	LAST IN, FIRST OUT
LOC	LETTER OF CREDIT
LTL	LESS THAN TRUCKLOAD
MCD	MONTHS FOR CYCLICAL DOMINANCE
MDTA	MANPOWER DEVELOPMENT AND TRAINING ACT
MEC	MARGINAL EFFICIENCY OF CAPITAL
MEW	MEASURE OF ECONOMIC WELFARE
MFN	Most Favored Nation (See GENERAL AGREEMENT ON TARIFFS AND TRADE)
MICR	MAGNETIC INK CHARACTER RECOGNITION
M&M	MECHANIZATION AND MODERNIZATION
MP	MARGINAL PRODUCT
MPC	MARGINAL PROPENSITY TO CONSUME
MPP	Marginal Physical Product (See MARGINAL PRODUCT)
MPS	MARGINAL PROPENSITY TO SAVE
MRP	MARGINAL REVENUE PRODUCT
MRS	MARGINAL RATE OF SUBSTITUTION
MRT	MARGINAL RATE OF TRANSFORMATION
MRTS	MARGINAL RATE OF TECHNICAL SUBSTITUTION
NASD	NATIONAL ASSOCIATION OF SECURITIES DEALERS
NASDAQ	NATIONAL ASSOCIATION OF SECURITIES DEALERS AUTOMATED QUOTATIONS
NBS	National Bureau of Standards
NHS	NATIONAL HEALTH SERVICE
NI	NATIONAL INCOME
NIA	NATIONAL INCOME AND PRODUCT ACCOUNTS
NIRA	NATIONAL INDUSTRIAL RECOVERY ACT

NLRB	National Labor Relations Board (See NATIONAL LABOR RELATIONS ACT)
NNP	NET NATIONAL PRODUCT
NOW	NEGOTIABLE ORDER OF WITHDRAWAL
NPC	Non-perfectly Competitive (See IMPERFECT COMPETITION)
NRA	NATIONAL RECOVERY ADMINISTRATION
NRR	NET REPRODUCTION RATE
NSA	Not Seasonally Adjusted (See SEASONALLY ADJUSTED)
NYSE	NEW YORK STOCK EXCHANGE
OASDI	Old Age, Survivors, Disability Insurance
OBL	ORDER BILL OF LADING
OECD	ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT
OEEC	ORGANIZATION FOR EUROPEAN ECONOMIC COOPERATION
OJT	ON THE JOB TRAINING
OMB	OFFICE OF MANAGEMENT AND BUDGET
OR	OPERATIONS RESEARCH
PC	Participation Certificate
PEP	Public Employment Program
PERT	PROGRAM EVALUATION AND REVIEW TECHNIQUE (Sometimes called Program Evaluation Research Task)
PI	PERSONAL INCOME
P&L	Profit and Loss (See PROFIT AND LOSS STATEMENT)
POE	PORT OF ENTRY
PR	PUBLIC RELATIONS
PSU	Primary Sampling Unit (See CURRENT POPULATION SURVEY)
PWA	PUBLIC WORKS ADMINISTRATION
QCD	Quarters for Cyclical Dominance (See MONTHS FOR CYCLICAL DOMINANCE)
RCPC	REGIONAL CHECK PROCESSING CENTER
REA	RURAL ELECTRIFICATION ADMINISTRATION
RFC	RECONSTRUCTION FINANCE CORPORATION
RP	REPURCHASE AGREEMENT
RPD	RESERVES AVAILABLE FOR PRIVATE NONBANK DEPOSITS
SA	SEASONALLY ADJUSTED
SBA	SMALL BUSINESS ADMINISTRATION
SBL	STRAIGHT BILL OF LADING
SEC	SECURITIES AND EXCHANGE COMMISSION
SIC	STANDARD INDUSTRY CLASSIFICATION
S&L	SAVINGS AND LOAN ASSOCIATION
SMSA	STANDARD METROPOLITAN STATISTICAL AREA
TAB	Tax Anticipation Bill
TC	TOTAL COST
T&E	TRAVEL AND ENTERTAINMENT CARD

TFC	TOTAL FIXED COSTS
TL	TRUCK LOAD
T&L	THRIFT AND LOAN ASSOCIATION
TUC	TRADES UNION CONGRESS
TVA	Tax on Value Added (See VALUE ADDED TAX)
TVA	TENNESSEE VALLEY AUTHORITY
TVC	TOTAL VARIABLE COSTS
UCC	UNIFORM COMMERCIAL CODE
UCC	Uniform Consumer Credit Code (See CONSUMERISM)
UDC	Underdeveloped Country (See LESS DEVELOPED COUNTRY)
ULPA	Uniform Limited Partnership Act (See FORMS OF BUSINESS ORGANIZATION)
UPA	Uniform Partnership Act (See FORMS OF BUSINESS ORGANIZATION)
UPC	UNIFORM PRICING CODE
VA	Veterans' Administration
VAT	VALUE ADDED TAX
VC	VARIABLE COSTS
WFTU	WORLD FEDERATION OF TRADE UNIONS
WPA	WORKS PROJECTS ADMINISTRATION
WPI	WHOLESALE PRICE INDEX
XIMF	Expanded International Monetary Fund (See BANCOR)
Y	GROSS NATIONAL PRODUCT (This symbol is often used in formulas and equations)
ZPG	Zero Population Growth (See NET REPRODUCTION RATE)

A

ABILITY-TO-PAY PRINCIPLE. A doctrine which holds that the burden of taxation should not be determined by considerations of who benefits, but rather by who can afford to pay the taxes. In fact, under this doctrine it can be expected that a large amount of the benefits of government spending will be received by persons other than those who pay the taxes; taxes would be paid by the wealthy, but public parks financed by those taxes would be used almost entirely by lower income persons because the wealthy would find their recreation in private clubs and parks. See also **BENEFIT-RECEIVED PRINCIPLE**.

ABRASION. Wearing away of a coin during use and circulation. In an economy which uses **FULL-BODIED COINS**, abrasion is a significant factor because coins of the same denomination can have different values depending on the amount of abrasion each has sustained.

ABSOLUTE ADVANTAGE. See **COMPARATIVE ADVANTAGE**.

ABSOLUTE COST ADVANTAGE. When a producer, because of efficiency, location, or other factors, is able to produce a good or service at lower cost than other producers of the identical product, it is said to have an absolute cost advantage.

ABSTINENCE THEORY OF INTEREST. Also called *Agio* theory of interest. If the cost of borrowed money (interest paid) were zero, the demand for money would far exceed the supply because most people would rather have their goods and services *now*. Therefore, for some to be able to borrow money, others must make the money available through abstinence from current spending — the interest

they earn is compensation for this abstinence.

ACCELERATED DEPRECIATION. A tax law provision which allows business firms to write off the cost of all or certain **CAPITAL GOODS** expenditures at a rate faster than is usually allowed. The purpose is to provide incentives for increased investment spending, with the ultimate objective of expanding the economy.

ACCELERATIONIST THEORY. Holds that the **PHILLIPS CURVE** applies only to the short-run and that in the long-run fiscal policy is not controlling because unemployment has a natural rate which is determined by non-financial factors such as rigidities in labor and product markets.

ACCELERATION PRINCIPLE. When a change in demand for the nation's output of goods and services causes a change in **INDUCED INVESTMENT**, a coefficient (sometimes called the *accelerator*) can be established:
 Coefficient of Acceleration =

$$\frac{\text{Change in Investment}}{\text{Change in Demand}}$$

In its simplest application, this coefficient can be assumed to be a constant, but it soon becomes apparent that without the usual qualification, **OTHER THINGS BEING EQUAL**, the coefficient will be a function of **MANUFACTURING CAPACITY**, general economic conditions, interest rates, general intensiveness (whether **LABOR INTENSIVE** or **CAPITAL INTENSIVE**), and many other factors. The acceleration principle is often given as one of the factors which cause **ECONOMIC FLUCTUATIONS**. Assume that the economy is steady (either holding constant or changing at

a constant rate) and then there is an increase in total demand followed shortly by a return to the previous steady condition. That increase in demand will be followed by an increase in investment spending (CAPITAL ACCUMULATION) and then when demand returns to its long-term trend level, investment will return to its long-term trend level. But several years later that larger stock of capital will begin wearing out and need replacement, which will then put expansionary pressures on the economy. This principle is credited to JOHN MAURICE CLARK.

ACCELERATOR. See ACCELERATION PRINCIPLE.

ACCEPTANCE BILL. Also known as a bill of exchange, or draft, it is a financial instrument in which a *drawer* orders a *drawee* to pay a sum of money to a *payee*. This method of paying is generally used in international commerce.

ACCEPTANCES. With regard to the CONSOLIDATED STATEMENT OF CONDITION OF ALL FEDERAL RESERVE BANKS, acceptances are recognized in two categories: a. Bought Outright; Prime bankers' acceptances bought outright by the Federal Reserve Bank of New York for its own account*. b. Held Under Repurchase Agreements; Prime bankers' acceptances bought by the New York Reserve Bank for its own account under agreements with nonbank dealers**. These agreements call for the dealer to buy the acceptance back on a specified date (usually within 15 days) or earlier at the dealer's option. The Reserve Bank also has the right to require repurchase any time before maturity of the agreement, but this right is rarely exercised.

From: Glossary: Weekly Federal Reserve Statements, by the Federal Reserve Bank of New York.

* Bankers' acceptances are drafts or bills of exchange that banks have "accepted" as their own liabilities, in effect substituting their credit for that of their customers. Those acceptances of the largest and best known banks are considered prime quality money market instruments. In 1955, the FEDERAL OPEN MARKET COMMITTEE (FOMC) authorized the Federal Reserve Bank of New York to deal in prime bankers' acceptance for its own account.

The New York Reserve Bank conducts open market operations for the Federal Reserve System with about 25 primary dealers in Government securities and bankers' acceptances. The manager of the System Open Market Account is Senior Vice President in charge of the New York Reserve Bank's Securities Department and is appointed annually by the FOMC to carry out its policy directives.

Ownership of the System Open Market Account portfolio is allocated among all the Reserve Banks, except for acceptances and securities held under repurchase agreements, which are carried on the books of the New York Reserve Bank. On the Combined Statement of Condition net purchases or sales of securities are reflected in proportional increases or reductions in the security holdings of each Reserve Bank and in their holdings of gold certificates.

** Dealers engaging in repurchase agreements with the New York Reserve Bank receive, in effect, short-term loans. Bank dealers are excluded from repurchase agreements with the New York Reserve Bank because they have access to direct, short-term borrowing from the Federal Reserve at the discount rate.

ACCESSION. In labor economics, an addition to the payroll, regardless of whether the person is a rehired or has never worked for the employer before.

ACCOMMODATION SIGNATURE. In financial economics, the signature of a party who is not the primary debtor but who is, either primarily or secondarily, accepting some responsibility for repayment of the debt. The usual reason is that the primary debtor does not have sufficient credit rating.

ACCOUNT MANAGER. Short for MANAGER OF THE SYSTEM OPEN MARKET ACCOUNT.

ACCOUNTS PAYABLE. Liability accounts which record amounts to be paid to others as a result of purchases of goods and services.

ACCOUNTS RECEIVABLE. Asset accounts which record amounts to be received from others to whom goods and services were sold.

ACCRUAL BASIS. In economics, accrual basis has the same meaning as in accounting; revenues and expenditures are recognized when the transaction takes place. This method contrasts with *cash basis* in which revenues and expenditures are recognized when payment is made.

ACCRUED INTEREST. Interest is paid to bond-holders at stated times, usually twice a year. Therefore if a bond is sold during the period, the previous owner had it for a certain number of days while it was earning interest that will be paid at the end of the period. The usual practice is for the new owner to pay to the old owner that amount of earnings (*accrued interest*) when purchasing the bond because payment for the full amount of earnings will be made to the new owner at the end of the period.

ACCUMULATED DIVIDEND. Also called cumulative dividend, it is the dividend in arrears on cumulative preferred stock which must be paid before dividends can be paid to common stockholders. See **CAPITAL STOCK**.

ACREAGE ALLOTMENT (U.S.). One part of the U.S. program to stabilize agriculture includes giving farmers an allotment, or limit to the amount of his land which he may use to grow crops.

ACROSS-THE-BOARD INCREASE. A wage increase by an employer, to all its employees, as opposed to a merit increase or other increase which is

given on an individual basis. The across-the-board (or general) increase may be a fixed amount, a fixed percentage, or some more complex arrangement. One problem which occurs in an area dominated by a major employer is that the economy is pegged to that employer and when he gives a general increase, prices throughout the area also increase.

ACT FOR INTERNATIONAL DEVELOPMENT OF 1950. A U.S. program for making scientific developments and industrial techniques available for improving the economies and potentials of less developed nations. Because this program grew out of the fourth point of President Truman's inaugural address in 1949, it is often called the Point Four Program.

ACTIVE STOCK. An issue of **CAPITAL STOCK** which is bought and sold in large quantity nearly every business day.

ACT TO REGULATE COMMERCE. Legislation enacted February 4, 1887 for the purpose of regulating carriers, especially on waterways. This act, also known as the Cullom Act, created the Interstate Commerce Commission. Since its original enactment, the act has had several amendments and supplements; today the result is known collectively as the Interstate Commerce Act.

ACTUAL INVESTMENT. The sum of **FIXED INVESTMENT** and **CHANGE IN BUSINESS INVENTORIES**. When the word *actual* (it is also called *realized investment*) is used, it is usually meant to emphasize the fact that it is the result of both **PLANNED INVESTMENT** and **UNPLANNED INVESTMENT** that is being considered. See also **GROSS PRIVATE DOMESTIC INVESTMENT**.

ACTUAL RESERVES. See **BANK RESERVES.**

ACTUARY. A person who uses statistics to calculate insurance rates so that the stream of premium payments flowing in minus the stream of claims payments flowing out will yield the expected rate of gross profit.

ADJUSTER. In insurance, the person who analyzes and evaluates claims and reaches a settlement with the insured.

ADJUSTMENT BOND. Also called a reorganization bond, it is an industrial **BOND** which is sold with the specific intention of using the proceeds to re-adjust the capitalization of the business.

ADMINISTERED PRICE. A price which is brought about by forces other than the interplay of forces in a pure competitive economy, as when **MONOPOLY** or **OLIGOPOLY** conditions prevail. There is not a sharp distinction between a competitive price and an administered one, as the forces are usually so subtle that not even the parties to a transaction know exactly how the price was determined.

ADMINISTRATOR. A person authorized by a court to oversee the execution of a will in which the deceased did not name an *executor*. The collective word for both executor and administrator is *personal representative*.

AD VALOREM DUTY. A customs duty which uses the value of the entering goods as a basis, rather than size, weight, category, or other criteria. See also **CLASSIFIED TAX**; **CUSTOMS DUTY**; **SPECIFIC DUTY**.

ADVANCE. Refers to payment of all or part of a bill before payment is due, usually after the paid amount has been earned.

ADVANCE BILL. A **BILL OF EXCHANGE** which is prepared prior to shipment of goods. This arrangement might be used in a situation where the buyer's credit rating is not such that the seller is willing to make shipment before being assured of payment.

ADVANCE, PRELIMINARY, AND FINAL ESTIMATE. The U.S. Census Bureau releases figures in the foregoing sequence, as shown by the following example using monthly estimates of sales of retail stores. The first actual **SEASONALLY ADJUSTED** monthly estimate is the *advance* estimate, published about ten days following the close of the month. This monthly estimate is derived from weekly figures collected from a subsample. Approximately a month later a *preliminary* estimate is published, based on data from the Census Bureau's full reporting sample of retail stores. This preliminary estimate is then subject to further revision — usually very slight — and after further checking and correction, a *final* estimate becomes available about two months after the advance estimate is released.

ADVERSE BALANCE. In international economics, describes a nation's balance sheet showing that the amount paid for imports during a given period (usually a year) exceeds the amount received for exports.

ADVERSE CLEARING. During the process of **CHECK CLEARING**, the bank from whose reserve account the check is deducted regards the clearing as an adverse clearing.

ADVISORY AGENT. A trust arrangement in which the trustee reviews the portfolio and gives investment advice but does not have full discretionary powers. Such advice is usually accepted by clients and, although approval in writing is required, is often carried out after telephoned approval, with

written consent being provided later for the records. See also **MANAGING AGENT**.

AGE DISTRIBUTION. The percentage of people who are in each of various age groupings. This information is important to economists because total amount and type of demand, as well as **UTILITY** values and contributions to productive effort are functions of age classification. In addition, today's age distribution gives an indication of tomorrow's age distribution — as when projections of school needs are made from earlier birth information.

AGENCY SHOP. In labor economics, identifies a place of employment which has a union contract requiring all workers to pay union dues, although all are not required to join the union.

AGENT. A party who is given the legal power to commit his **PRINCIPAL** to a legally binding contract. One of the functions of the **FEDERAL RESERVE SYSTEM** is to act as agent for the U.S. government, meaning that a contract signed by an authority of the System is, legally, a contract signed by the U.S. government.

AGGREGATE. As a verb this word means to collect statistics of more than one item and present the total figure. For example, GNP is an aggregation of figures for consumption, government, investment, and net exports.

As an adjective, it means total or overall, as when aggregate figures are shown.

AGGREGATE DEMAND. Total spending for goods and services.

AGGREGATIVE ECONOMICS. See **MACROECONOMICS**.

AGIO THEORY OF INTEREST. See **ABSTINENCE THEORY OF INTEREST**.

AGRICULTURAL ADJUSTMENT ACT (AAA) (U.S.). Actually two acts, passed during the Great Depression to bring about price inflation through control and limitations of farm production. The First AAA (see **FARM RELIEF AND INFLATION ACT**) was passed in 1933, then declared unconstitutional in 1936 because of the method of taxing to obtain operating funds. The Second AAA was passed in 1938.

AGRICULTURAL BANK (JUGOSLOVENSKA POLJPRIVEREDNA BANKA) (YUGO.). One of the specialized banks within the commercial banking system of Yugoslavia. As the name implies, this bank provides funds for the purpose of financing agricultural capital expenditures. Its short-term crop loans are negligible.

AGRICULTURAL CREDIT ACT (U.S.). Legislation of 1923 which created the Federal Intermediate Credit Banks. These banks sell debt instruments to the public and use the proceeds to make short-term agricultural loans.

AGRICULTURAL MORTGAGE CORPORATION (U.K.). An organization for lending to farmers who use their land for security. Most of their loans are provided through or in conjunction with commercial banks.

AGRICULTURAL PARITY. The price level of farm commodities which bears a relationship between overall price levels and specific farm prices, as determined in a reference period.

AGRICULTURAL REVOLUTION. The transition from traditional methods to more use of machinery and human control of soil chemistry and animal breeding. It is generally considered that this revolution took place in the mid- to late 1800's, although some see the changes of the 1700's, especially in Europe, as being the beginning of the agricultural revolution.

AGRICULTURE. Economists place special emphasis on this SECTOR because: 1. it provides the basic materials for feeding, clothing, and housing the world's population; 2. one of the statistics often used to measure economic development is the percentage of productive effort which goes to the agriculture sector; 3. agriculture was the main issue in the Physiocratic school of economic thought (see **PHYSIOCRACY**); 4. it employs a range from the least skilled to those with graduate degrees; 5. it has always been a vital element of national growth and survival.

ALDRICH-VREELAND ACT (U.S.). Legislation which created the NATIONAL MONETARY COMMISSION to make a thorough study of the monetary and banking system of the nation and to make recommendations for remedying the defects which would be revealed. The report, called the *Aldrich Plan*, published in 1911, included several features which became part of the FEDERAL RESERVE SYSTEM that was created in 1913.

ALLOCATIONS FAMILIALES (FR.). See FAMILY ALLOWANCES.

ALLONGE. In financial economics, an added piece of paper which provides space for endorsement signatures for a negotiable instrument. The allonge becomes legally a part of the instrument.

ALLOWED TIME. There are two interpretations of this expression, one involving time used directly in production and the other with time necessary for production but used indirectly. The first is seen in quota and bonus systems where allowed time is the length of time allotted for completion of a given task; sometimes incentive pay is received by employees who do the task in less than the allowed time. The second interpretation includes rest periods, time to change into special

clothing, and other requirements which are not actual production.

ALTERNATIVE COST. See OPPORTUNITY COST.

AMERICAN FEDERATION OF LABOR (AFL) (U.S.). Prior to 1955, one of two large federations to which much of organized labor belonged. The two federations later joined to form the AMERICAN FEDERATION OF LABOR—CONGRESS OF INDUSTRIAL ORGANIZATIONS.

AMERICAN FEDERATION OF LABOR—CONGRESS OF INDUSTRIAL ORGANIZATIONS (AFL-CIO) (U.S.). The confederation to which a vast majority of U.S. labor unions belong. Prior to 1935, labor looked to the AFL for central organization but in that year a rival CIO was formed. In 1955 the two confederations combined.

AMERICAN STOCK EXCHANGE (AMEX) (U.S.). Located in New York City, it is the nation's second largest organization that provides a marketplace for buying and selling stocks, bonds, and other securities. Because it grew rather spontaneously from informal gatherings of traders in the street, it was once known as the Curb Exchange. See also NEW YORK STOCK EXCHANGE.

AMORTIZATION. Payments which reduce the PRINCIPAL amount of a debt.

ANALOG COMPUTER. Any device which uses one measurable quantity to stand for another and, on the basis of this analog, computes values for the latter. Today an analog computer is usually understood to be an electronic computer in which various voltages and currents are used as the analogs of items in the physical world such as spending, growth, velocity, etc. Unlike

a **DIGITAL COMPUTER**, the analog computer does not work in discrete values and therefore would not be used for accounting and financial work. Since the late 1950's, rapid improvements in versatility of digital computers have reduced the use of analog computers to the point where most people think of a computer as a digital computer.

ANALOGY. Because the entire field of economics is so intangible and often abstract, teachers often draw parallels between some economic concept and a concept which is more visible.

In a more direct sense, analogies are used in **ECONOMETRICS** whenever a **MODEL** is constructed. For example, the change of numbers in an econometric equation is the analog of the change which it represents in the real-life economy. When the model is worked by an analog computer, then voltage, distance, or whatever variable is used by the computer is the analog of its counterpart in the economy.

ANALYSIS OF VARIANCE (ANOVA).

A systematic analysis which is intended to identify and categorize the differences between sets of data or between a function and a set of data. ANOVA usually includes total error, error about mean, residual error, and others, usually in a squared error form. See *Linear Regression* in the Appendix.

ANNUALLY BALANCED BUDGET. A policy with regards to the government budget, requiring that expenditures equal revenues over a fiscal year. Those in favor of the annually balanced budget point out that it avoids **DEFICIT** spending which accumulates to become the **NATIONAL DEBT**; opponents show that such a policy is **PRO-CYCLICAL** in that it tends to increase the severity of **ECONOMIC FLUCTUATIONS**.

ANNUAL RATE. When statistics are given for periods of other than a year, they are often adjusted so that, if the applicable conditions were present for an entire year, the change for the entire year would be the annual rate which is given. For example, if the **CONSUMER PRICE INDEX** increased 1 percent during one **QUARTER** it could be said that the index was increasing at an annual rate of 4 percent. More sophisticated statistics would apply a weight to the period measured before extending it to an entire year. Care must be exercised when extending shortrun figures because they can fluctuate widely, and presenting the figures for one month, converted to annual rate, may not represent what is actually expected for the entire year. For example, when deviations in the **MONEY SUPPLY** from 1970 through mid-1973 are examined, whether average deviations or maximum deviations are used, the table* shows that data for shorter periods always yield larger deviations.

* In percentage annual rates of change.

Form of data	Average Deviation	Maximum Deviation
Monthly	3.8	8.8
Quarterly	2.4	5.5
Semi-annual	1.8	4.1

ANNUITANT. Person to whom payments of an **ANNUITY** are to be made.

ANNUITY. An arrangement by which one party (usually an insurer) pays another party a specified amount periodically, either for a specified length of time or for the life of the annuitant.

ANTAGONISTIC COOPERATION. An explanation of why it is possible to find people working together — each gives up his natural bent toward pure selfishness because he realizes that such selfishness is self-destructive for

the system whereas actions for the good of all are mutually beneficial.

ANTIBANK MOVEMENT (U.S.). By the middle of the 19th century the U.S. had tried twice to have a national bank but each time the charter had been allowed to expire. The deficiencies of a banking system without central control in this period (the *wildcat banking period*) caused public opinion to demand and obtain legislation that tightened down on banking conditions and even went so far as to put an end to banking in a few states. Many of the inadequacies of the arrangement continued until the **NATIONAL BANKING ACT** of 1864, and some remained until the **FEDERAL RESERVE SYSTEM** was created in 1913.

ANTI-CORN-LAW LEAGUE (U.K.). An amalgamation of those who felt that **CORN LAWS** were making agricultural imports too expensive and those who felt that international trade in general was hampered by restrictive laws in all nations. The League fought for repeal of the Corn Laws.

ANTIDUMPING DUTY. An import tariff which is imposed for the specific purpose of raising the domestic price of a product which is being exported by another nation at an unjustifiably low price. See **DUMPING**.

ANTI-INJUNCTION ACT (U.S.). Also known as the **Norris-LaGuardia Act**, this legislation of 1932 very significantly strengthened the position of labor unions. Two of its best-known provisions are the one that greatly restricts the conditions under which an employer can obtain an injunction ordering striking workers back to their jobs, and the one that outlawed employment contracts in which workers were not hired unless they agreed in writing not to take part in union activities (*Yellow-dog contract*).

ANTI-RACKETEERING ACT (U.S.). Legislation of 1934 which gave jurisdiction to federal authorities in situations where a crime such as robbery interfered with the movement of goods in interstate commerce.

ANTI-STRIKEBREAKING ACT (U.S.). Also known as the **Byrnes Act**, this legislation of 1936 prohibits interstate transportation of people for the purpose of using force or threats against lawful striking and picketing.

ANTI-TRUST. See **CLAYTON ANTI-TRUST ACT**; **SHERMAN ANTI-TRUST ACT**.

A POSTERIORI. Describes the type of data, information, knowledge, etc. which is available after examination or analysis. Opposite is **A PRIORI**.

APPLIED ECONOMICS. That branch of economics in which principles and theories are translated into actual working policies and actions; qualitative explanations are replaced by quantitative directions; generalities are replaced by specifics.

APPORTIONED TAX. A tax which is collected from one or a few tax districts and then redistributed over a larger number which may or may not include the source of the revenue.

APPRECIATION. Increase in the value of an item. With regard to money and international exchange, one nation's money appreciates in terms of another nation's money when it takes more of the latter to buy a given amount of the former. In this situation, the money of one nation appreciates and the money of the other nation *depreciates*.

APPRENTICESHIP. Modern interpretation of the word describes a formal arrangement in which an individual is hired in a training position and is paid a beginning wage while learning a skill.