GROUNDWORK'S GLOSSARY OF ECONOMIC TERMS

INTRODUCTION

The common terminology used in mainstream economic debates can shut some people out of the conversation. And some terms and statistics can help hide what's really going on in the economy. Worse, some of the most readily-available public sources for information about the economy and its commonly-used terms and indicators are anything but neutral—they often reinforce the flawed conservative economic worldview that has dominated the U.S. political and economic conversation, or they do not acknowledge the role race and gender have played in shaping how our economy works.

The Groundwork glossary below aims to help people understand and communicate about how the economy really works. In the context of the public health and economic crises sparked by the COVID-19, when it's urgent that we all pay attention to and fight for the changes we need to our economy, we hope this resource will be even more useful.

Note: Words in entries that are bolded in **green** *have their own entries in the glossary.*

GLOSSARY OF TERMS

Abundance An ideal state of the **economy** where there are enough resources, services, wealth, or power to meet all people's basic needs. *We believe that these goods cannot be truly considered abundant unless they go around to everyone (see* ***Prosperity****).*

Asset Anything of monetary value that is owned, from furniture to **stocks** to a home.

Average The sum of all the numbers in a number set, divided by the amount of numbers in the set. *When you see statistics described as averages, like "average* ***income****," know that they might be hiding some of the reality—even a small number of extremely high incomes in a group can drag the "average" much higher than what most people make.*

Bond A type of investment where a bond buyer lends the government an agreed amount of money for an agreed amount of time (usually between 10 and 30 years) in return for a set number of interest payments at regular intervals. *The government typically then spends the loaned money on new projects or infrastructure, or paying down its debt. U.S. government bonds are considered to be a risk-free investment because the government always pays the interest in full and on time, whereas no one can be sure of how much money they'll get back for* ***stocks*** *bought on the open market.*

Compensation The money or other things of value, like retirement contributions or employer-sponsored health insurance, that workers receive in exchange for work.

Corporation A group or company legally allowed to operate as a single entity, subject to many of the same rules—and rights—as individual people. *Corporations can be formed for profit or not for profit, and they can be private (owned by a few individuals within the corporation) or publicly-traded (owned by many shareholders who trade stock in the corporation on the* ***stock market****). Most references to "corporations" in the media and elsewhere mean large, publicly-traded, for-profit companies.*

Demand Consumers' desire and ability to buy goods or services. *When you hear about "demand" in the media and elsewhere, folks may be referring to "market demand," which is the demand for specific goods (like coffee) and services (like house cleaning), or to "aggregate demand," which is the demand for all goods and services in the economy.*

Depression A long-term decrease in economic activity that lasts longer and is more severe than a **recession**, typically lasting several years. *Depressions involve widespread economic devastation and human suffering.* ***The Great Depression*** *is the only real precedent we have in the U.S. for defining this term.*

Economics The study of the way society allocates resources to create and distribute goods and services, and how this changes over time.

Economic model A set of theories—often mathematical equations—that aim to describe or predict what will happen in the **economy**.

Economy The way society uses resources to create and distribute goods and services. *The trillions of transactions and interactions that happen between people every day.*

Equity Giving everyone what they need to thrive, even if that means giving more to those who start out with fewer advantages.

Federal Reserve (The Fed) The central bank of the United States. *The Fed is responsible for providing the country with a safe and stable financial system by conducting national* ***monetary policy****, supervising and regulating banks, and providing banking services.*

Financialization The growth of the financial industry (Wall Street), its increased power over people's lives, the explosion in the power of **wealth**, and the reduction of all of society to the realm of finance. *As financialization increases, so does the gap between* ***productivity*** *and* ***wages****.*

Fiscal policy A collective term for the **taxation** and spending determined by governments, and a critical tool for both increasing total **demand** and directing money to the workers and families who need it most. *At the national level, Congress and the President's administration are responsible for U.S. fiscal policy.*

GDP (Gross Domestic Product) The total value of everything produced in the **economy** (including the work that goes into providing services). *This can be measured at different levels—globally, by country, by state, etc.*

Government budget deficit When **government spending** is greater than **government revenue**. *Because the federal budget is nothing like a household budget, we generally need to worry less about the deficit than whether we need the government to spend more to build up public goods—the U.S. government can, should, and always has run deficits to support valuable public investments, especially in times of crisis.*

Government debt The total amount the government owes its creditors, or the sum of all of its annual **budget deficits** over time. *Government debt is also different from the type of debts held by you or your household. U.S. government debt is the safest type of debt, and even when the debt is high, the U.S. government's creditworthiness is never in question.*

Government revenue The money the government collects from **taxes** and non-tax sources like fees, fines, and rental income.

Government spending The money the government spends on goods and services like education, health care, infrastructure like roads and bridges, and supporting industries like agriculture and energy.

(Economic) Growth The increase in the production of goods and services over a given period of time—typically measured at the national and state level by the monthly or annual rate of **GDP** growth. *However, growth (or, people producing and consuming more things) is not a good economic measure by itself if it doesn't consider who is getting the gains, how those are distributed, and whether the growth is sustainable.*

Inclusion In terms of the **economy**, an ideal state of the economy where everyone—most significantly, the most marginalized people—has the opportunity to participate freely in the economy, to share in its benefits, and to exert power over how it operates. *Economic inclusion also means that policy should actively center the needs of people who have been excluded.*

Income The increase in money and material goods that a person receives—including **wages** from having a job, but also including non-wage **compensation** from things other than work. *This includes but is not limited to: employer-matched retirement contributions, interest on **bonds**, the increase in the value of financial **assets** like stocks and real estate, or certain government benefits like Social Security.*

Inflation A widespread increase in the level of prices of goods and services, accompanied by a decrease in how much the same amount of money can buy. *In the U.S., the rate of inflation over time is measured at the national level by looking at the price of a "basket of goods and services" meant to be representative of things a typical household buys. Recent studies have shown that low- and middle-income households experience higher levels of inflation than richer households, largely due to record **income** inequality.*

Interest rate (Fed rate) The primary tool the **Federal Reserve** uses to influence the U.S. **economy**. *The Fed can use its powers to lower its interest rate, which lowers mortgage rates, credit card annual interest rates, auto loan rates, etc., in hopes of boosting economic activity by making it cheaper to borrow and spend.*

Life expectancy The average number of years a person in a given group or demographic may expect to live. *Life expectancy is influenced by a variety of factors, including poverty, inequality, and public health—for example, the U.S. has a significantly lower life expectancy than other wealthy countries.*

Median The middle point of a number set, where half of the numbers are above the median and half of the numbers are below the median. *Statistics like "median **income**" are better than **averages** at capturing the experience of people "in the middle."*

Monetary policy One major tool used to influence national economic activity and keep prices stable, mostly by raising and lowering interest rates and the total supply of money in circulation. *In the U.S., the **Federal Reserve** is responsible for monetary policy.*

Neoliberalism An outdated economic **worldview** based on the myth of the perfect "free market" that can and should determine best outcomes for all. *This worldview also assumes that **taxes**, consumer protections, worker organizing, and public investments will result in "inefficiency" that somehow harms us all more than economic problems like **income** and **wealth** inequality, **racism** and **patriarchy**, and **poverty**.*

Patriarchy A political, economic, and cultural system in which cisgender, heterosexual men mostly control power and resources, and enjoy rights and advantages that other groups do not, at both a collective and individual level.

Political economy The way the **economy**, politics, and government interact with and influence each other.

Poverty The U.S. Poverty Rate is the share of people living in households with **incomes** below the "Federal Poverty Line"—about $25,000 for a family of four. *The official poverty measure and related measurements determine who is eligible and who is not for many government aid programs, as well as how much aid people will receive. However, it is far too low to show what people actually need to live. We prefer a measure like the Economic Policy Institute's family cost of living calculator.*

Private power The power that private companies and individuals build—most often by hoarding **wealth** at others' expense—and wield to influence government and rig the rules of the **economy** to further benefit themselves.

Productivity How much workers produce per hour. *Productivity has increased dramatically since the 1970s, but a typical worker's **compensation** has remained largely flat—meaning basically, that workers are not getting the gains from increased work.*

Prosperity An ideal state of the **economy** where power, resources, and services are distributed **equitably** among all people—not just the privileged few.

Public power The power that everyday people build and wield by coming together—most often through government—to achieve shared priorities and counterbalance concentrations of **private power**.

Racial wealth gap The difference in **wealth** owned by the **median** (typical) household among racial or ethnic groups. *In the U.S., the wealth held by the typical white household is multiple times greater than the wealth of typical Black and Latinx households.*

Recession A significant decrease in general economic activity over a period of two to 12 months, often characterized by sharp increases in layoffs, business closures, and **unemployment**; decreases in **income** and consumer spending; and declines in the price of **stocks**. *In the U.S., a recession is "officially" declared by the National Bureau of Economic Research, which looks for declines lasting more than a few months, and defines the most recent recession as **The Great Recession** of the late 2000s.*

Regulation The rules written by the government to actually put laws into practice and ensure that they can be enforced. *Regulations affect many things—from prices, wages, pollution, and public safety, to standards of production for goods like cars, food, and energy.*

Scarcity The gap between limited resources and ***demand*** for those resources—in other words, the gap between what people need and want and how much of it there is. *Scarcity in **economics** is a largely theoretical concept, but in the real world, there's more than enough of key resources to go around—but they don't "go around" **equitably**. Scarcity is also why we have an **economy**—to create a system through which limited amounts of things are transacted, exchanged, and distributed.*

Stimulus The use of **monetary** or **fiscal policy** to encourage economic activity and **growth**, typically during a **recession**—or to avoid one. *Fiscal policy stimulus tactics can include direct government payments to households to encourage them to spend money; monetary policy stimulus tactics can include lowering **interest rates** and **quantitative easing**.*

Stock An **asset** that represents ownership of a fraction of a **corporation**, which then entitles the owner of the stock to part of the corporation's profits. *The more units, or shares, of stock someone owns in a corporation, the bigger the slice of the corporation's profits they are entitled to. People who own stocks are sometimes referred to as "shareholders" or "investors."*

Stock market The collection of markets and exchanges where investors buy and sell **stock** in publicly-traded **corporations**. *The stock market is often wrongly conflated with "the **economy**," despite the fact that many Americans don't own stocks.*

Supply chain The steps and processes involved in the production and distribution of a good or service. *For example, the food supply chain includes all the processes to get food from "farm" (the first food supplier in the chain) to "table" (the final consumer).*

Quantitative easing (QE) A process **the Federal Reserve** undertakes to encourage **economic growth** by buying (typically) billions of dollars in **bonds**. *The idea is that this will encourage banks to lend to small businesses and people for their economic activities (like paying workers and home-buying) by lowering long-term loan interest rates. QE costs taxpayers nothing and doesn't directly "pay" banks or financial institutions—in this and many other ways, it's different from bank bailouts.*

Taxation The money that the public gives the government to help finance public priorities. *Taxes make up most of **government revenue**, which in turn supports **government spending**.*

The Great Depression The last **depression** experienced in the United States, which lasted from 1929 to 1941. *The economic policy response for recovery from the Great Depression, the New Deal, changed American economic policy and society forever.*

The Great Recession The last **recession** experienced in the United States, which officially lasted from 2007 to 2009, but whose economic effects were felt well into the late 2010s. *This recession was sparked by the subprime mortgage crisis and led to widespread **unemployment**, millions of people losing homes, and other long-term consequences we still see today.*

Unemployment (rate) The share of the labor force who are available to work and have actively looked for work in the past 4 weeks, but do not have a job. *This statistic is measured and released every month by the federal government.*

Wages The cash workers receive in exchange for work.

Wealth The monetary value of everything we own (all **assets**, including cash, investments, and property), minus what we owe (all debts, including mortgage and student debt).

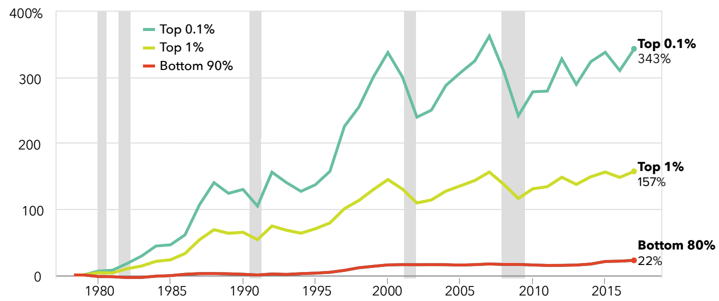
Wealth extraction The money that some people or corporations make from actions like buying and selling **stock** or other financial **assets**, renting or lending, or buying existing property and waiting for its value to increase. *This is different from making money for doing work or creating a new thing of value (like inventing a new product or delivering a service). Wealth extraction is a basic driving force of **financialization** in our **economy**.*

White supremacy A political, economic, and cultural system in which white people predominantly control power and resources, and enjoy rights and advantages that other groups do not, at both a collective and individual level.

Worldview An overarching understanding of how the **economy** works, what the economy is for, and how to make it better.

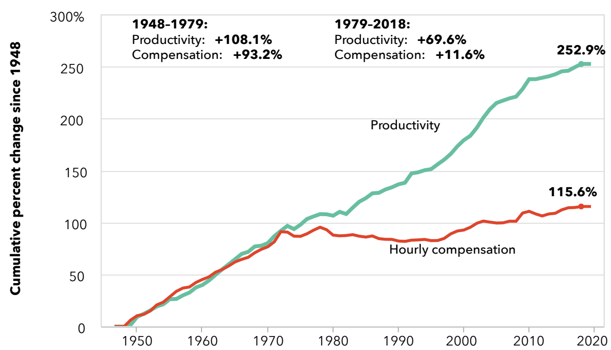
APPENDIX: CHARTS

THE UPWARD MARCH OF INEQUALITY IS FIRMLY REESTABLISHING ITSELF
CUMULATIVE PERCENT CHANGE IN REAL ANNUAL EARNINGS, BY EARNINGS GROUP, 1979–2017



Source: Adapted from Figure A in Lawrence Mishel and Julia Wolfe, "Top 1 Percent Reaches Highest Wages Ever–Up 157 Percent Since 1979," Working Economics (Economic Policy Institute blog), October 18, 2018. Shaded areas denote recessions.

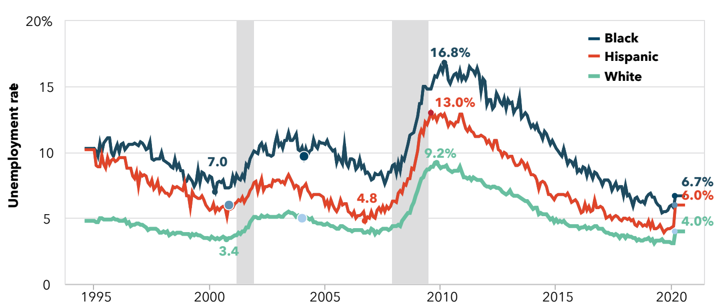
THE GAP BETWEEN PRODUCTIVITY AND A TYPICAL WORKER'S COMPENSATION HAS INCREASED DRAMATICALLY SINCE 1979
PRODUCTIVITY GROWTH AND HOURLY COMPENSATION GROWTH, 1948–2018



Notes: Data are for compensation (wages and benefits) of production/nonsupervisory workers in the private sector and net productivity of the total economy. "Net productivity" is the growth of output of goods and services less depreciation per hour worked.

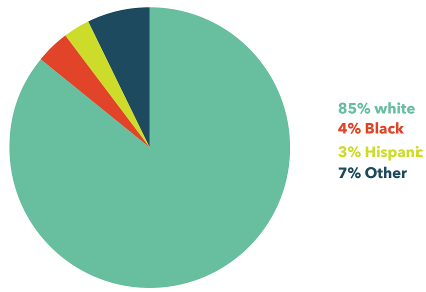
Source: EPI analysis of unpublished Total Economy Productivity data from Bureau of Labor Statistics (BLS) Labor Productivity and Costs program, wage data from the BLS Current Employment Statistics, BLS Employment Cost Trends, BLS Consumer Price Index, and Bureau of Economic Analysis National Income and Product Accounts

UNEMPLOYMENT RATE OF WORKERS AGE 16 AND OLDER BY RACE AND ETHNICITY, 1995–2020



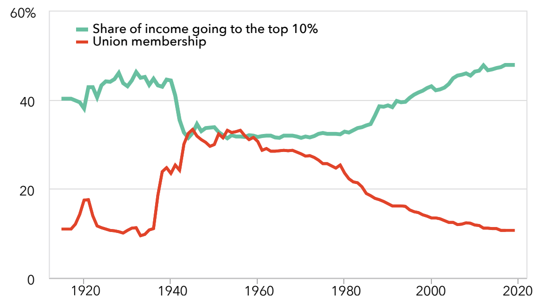
Source: Bureau of Labor Statistics' Current Population Survey, public data series

WHO HOLDS OUR COUNTRY'S WEALTH?



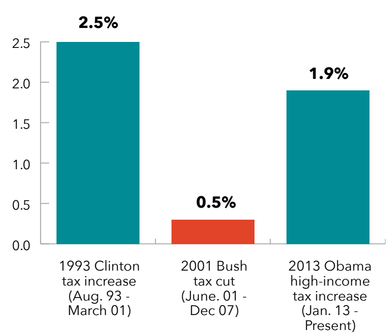
**Data for 2019 excludes Q4.*
Source: Federal Reserve Distributional Financial Accounts

AS UNION MEMBERSHIP DECLINES, INCOME INEQUALITY RISES
UNION MEMBERSHIP AND SHARE OF INCOME GOING TO THE TOP 10%, 1917–2017



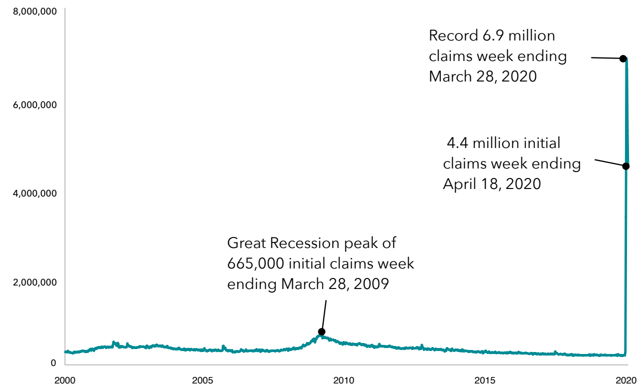
Sources: Data on union density follows the composite series found in Historical Statistics of the United States; updated to 2017 from unionstats.com. Income inequality (share of income to top 10%) data are from Thomas Piketty and Emmanuel Saez, "Income Inequality in the United States, 1913–1998," Quarterly Journal of Economics 118, no. 1 (2003) and updated data from the Top Income Database, updated March 2019.

JOB GROWTH STRONGER AFTER CLINTON AND OBAMA TAX INCREASES
AVERAGE ANNUAL JOB GROWTH RATE IN PERIOD FOLLOWING TAX CHANGE



**Note: Additional tax cuts were passed in 2003. Analysis ends the Bush tax cuts period in December 2007 due to the start of the Great Recession.*
Source: CBPP analysis based on data from Bureau of Labor Statistics and Bureau of Labor Statistics and Bireau of Economic Analysis.

UNEMPLOYMENT INSURANCE CLAIMS HAVE SPIKED TO NEVER BEFORE SEEN LEVELS
INITIAL WEEKLY UNEMPLOYMENT CLAIMS, JANUARY 2000 TO PRESENT



Source: U.S. Department of Labor

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