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**Account –** A record of money deposited or withdrawn from a bank.

**Allocative Efficiency** – Taking advantage of every opportunity to make some individuals better off in their own estimation while not worsening the condition of anyone else.

**Allowance** – A sum of money paid regularly to a person, often by a parent to a child; sometimes paid in compensation for services rendered.

**Alternative** – One of many choices or courses of action that might be taken in a given situation.

**Amount Past Due** – In a credit arrangement, the amount of money owed and not repaid on time.

**Asset** – Something of monetary value owned by an individual or an organization.

**Assumptions** – Beliefs or statements presupposed to be true.

**Automated Teller Machine (ATM)** – A machine that provides cash and performs banking services (for deposits and transfers of funds between accounts, for example) automatically when accessed by customers using plastic cards coded with personal identification numbers (PINs).

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**Balanced Budget** – A financial plan in which income is equal to expenses.

**Bank** – A financial institution that provides various products and services to its customers, including checking and savings accounts, loans and currency exchange.

**Bank Account** – An arrangement by which a bank holds funds on behalf of a depositor. Also, the balance of funds held under such an arrangement, credited to and subject to withdrawal by the depositor.

**Bank Service Charges** – Fees paid by bank customers for financial services, for example, check-cashing fees, fees for overdrafts from accounts, fees for using the ATMs of other banks and fees for using bank-issued credit cards.

**Bank Statement** – A monthly summary providing the status of a depositor's financial accounts (checking and/or savings).

**Banking** – The industry involved with conducting financial transactions. Also, conducting business with a bank, e.g., maintaining a checking or savings account or obtaining a loan.

**Barriers to Trade** – Restrictions on trade such as tariffs, quotas and regulations.

**Barter** – Trading a good or service directly for another good or service, without using money or credit.

**Benefit** – Monetary or non-monetary gain received because of an action taken or a decision made.

**Borrow** – To receive and use something belonging to somebody else, with the intention of returning or repaying it--often with interest in the case of borrowed money.

**Borrower** – An individual who has received and used something belonging to somebody else, with the intention of returning or repaying it--often with interest in the case of borrowed money.

**Budget** – A spending-and-savings plan, based on estimated income and expenses for an individual or an organization, covering a specific time period.

**Business** – Any activity or organization that produces or exchanges goods or services for a profit.

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**Capital Resources** – Resources made and used to produce and distribute goods and services; examples include tools, machinery and buildings.

**Cash** – Money in the form of paper currency or coins (as distinct from checks, money orders or credit).

**Cash Advance** – In a credit arrangement, the amount charged to a borrower's account for cash received; an instant loan.

**Check** – A written order to a financial institution directing the financial institution to pay a stated amount of money, as instructed, from the customer's account.

**Check Register** – A form (usually located in the back of a checkbook) on which users of checking accounts may record checks they have written and deposits they have made. Information thus recorded helps people keep track of balances in their accounts.

**Checking Account** – A financial account into which people deposit money and from which they withdraw money by writing checks.

**Choice** – Decision made or course of action taken when faced with a set of alternatives.

**Circular Flow –** A model of an economy showing the interactions between households and business as they exchange goods, services and resources in markets.

**Communities and Cities** – A community can be considered a social group which retains an environment, while sharing interest in economic progress. A city can be considered a financial and commercial center.

**Comparison Shopping** – Examining different brands or models of a product (to learn about variations in quality, size, etc.), or the prices charged by different sellers (to learn about possible cost-savings), before deciding what to buy.

**Competition** – Attempts by two or more individuals or organizations to acquire the same goods, services, or productive and financial resources. Consumers compete with other consumers for goods and services. Producers compete with other producers for sales to consumers.

**Consumers** – People who buy and/or use goods and services.

**Consumption** – Spending by households on goods and services. The process of buying and using goods and services.

**Corporation** – A legal entity owned by shareholders whose liability for the firm's losses is limited to the value of the stock they own.

**Costs** – An amount that must be paid or spent to buy or obtain something. The effort, loss or sacrifice necessary to achieve or obtain something.

**Costs/Benefits –** The bad and good points related to making a decision.

**Credit** – Promise of payment at a future time in return for goos/services now.

**Credit Agreement** – A written promise to repay something that is borrowed.

**Credit Application** – A request for a loan, submitted to a lender (for example, a bank or a credit union) by a prospective borrower. The credit application provides background information which the lender uses to assess the prospective borrower's creditworthiness--his or her ability to repay the loan.

**Credit History** – A record of past borrowing and repayments.

**Credit Limit** – The maximum amount of money that will be extended to a person by a financial institution or credit-card issuer.

**Credit Rating** – An evaluation of a borrower's ability to repay a loan based on his or her character, capacity and capital.

**Credit Record** – A report about a person's credit history, including his or her ability and willingness to repay debts, based on how reliably he or she has repaid debts in the past. Also known as a credit report.

**Credit Report** – A report about a person's credit history, including his or her ability and willingness to repay debts, based on how reliably he or she has repaid debts in the past. Also known as a credit record.

**Creditor** – A person or company to whom money is owed.

**Currency** – The money in circulation in any country.

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**Debit –** Money owed on an account.

**Debt** – Money owed to someone else. Also the state or condition of owing money. Can be individual, corporate or government debt.

**Decision** – A conclusion reached after considering alternatives and their results.

**Decision Making –** Reaching a conclusion after considering alternatives and their results.

**Demand** – The quantity of a good or service that buyers are willing and able to buy at all possible prices during a period of time.

**Deposit** – Money put into a financial account. Also, to place money in a bank account.

**Depreciation** – A reduction in the value of capital goods over time due to their use in production.

**Depression** – A severe, prolonged economic contraction.

**Disposable Income** – The amount of money a person has left to save or spend after income taxes, Social Security taxes and other required deductions have been taken out of his or her pay.

**Division of Labor** – An arrangement in which workers perform only one step or a few steps in a larger production process (as when working on an assembly line).

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**Earn –** To receive money for doing work.

**Economic Development** – The way a society organizes the production, consumption and distribution of goods and services.

**Economic Way of Thinking** – A reasoning process that involves considering costs as well as benefits in making decisions.

**Economics** – The study of how people, firms and societies choose to allocate scarce resources with alternative uses.

**Employment –** An occupation by which a person earns a living.

**Entrepreneur** – One who draws upon his or her skills and initiative to launch a new business venture with the aim of making a profit. Often a risk-taker, inclined to see opportunity when others do not.

**Entrepreneurship** – A characteristic of people who assume the risk of organizing productive resources to produce goods and services; a resource.

**Exchange Rate –** Ratio at which a unit of currency of one country can be exchanged for that of another country.

**Expenses** – Payments for goods and services.

**Exports** – Goods and services produced in one nation and sold in other nations.

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**Federal Reserve Bank –** The central banking organization in the United States.

**Finance –** The management of money.

**Finance Charge** – The total cost of credit, including interest and transaction fees.

**Fraud** – Wrongful or criminal deception intended to manipulate a person for the purpose of gain, usually financial.

**Fraud Risk** – The chance that an investment has been misrepresented.

**Free Trade** – The voluntary exchange of goods and services in the absence of trade barriers and restrictions.

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**Globalization** – Although there is no one precise definition, the term usually refers to the increased flow of trade, people, investment, technology, culture and ideas among countries.

**Goal** – Something a person or organization plans to achieve in the future; an aim or desired result.

**Goods** – Things that can satisfy people’s wants.

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**Human Capital** – The health, education, experience, training, skills and values of people. Also known as human resources.

**Human Resources** – Workers who make goods and provide services.

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**Imports** – Goods and services bought from sellers in another nation.

**Incentive** – Any reward or benefit, such as money, advantage or good feeling, that motivates people to do something.

**Income** – Payments earned by households for selling or renting their productive resources. May include salaries, wages, interest and dividends.

**Innovation** – A new idea or method.

**Interdependence** – A situation in which decisions made by one person affect decisions made by other people, or events in one part of the world or sector of the economy affect other parts of the world or other sectors of the economy.

**Interdependent –** When people and nations depend on one another for the goods and services they want.

**Interest** – Money paid regularly, at a particular rate, for the use of borrowed money.

**Interest Rate** – The price paid for using someone else's money, expressed as a percentage of the amount borrowed.

**Inventors** – Someone who creates or devises a new process, application, machine, or article of application.

**Inventory** – An itemized list of goods held by a person or business. Also a quantity of goods held in stock.

**Investing** – The process of putting money someplace with the intention of making a financial gain. Investment possibilities include stocks, bonds, mutual funds, real estate, and other financial instruments or ventures.

**Investment** – The purchase of capital goods (including machinery, technology or new buildings) that are used to produce goods and services. In personal finance, the amount of money invested in stocks, bonds, mutual funds and other investment instruments.

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**Job** – A piece of work usually done on order at an agreed-upon rate. Also a paid position of regular employment.

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**Labor** – The quantity and quality of human effort available to produce goods and services.

**Labor Force** – The people in a nation who are aged 16 or over and are employed or actively looking for work.

**Labor Market** – The labor supply and labor demand curves. The intersection of the labor supply and labor demand curves determines the equilibrium wage and the quantity of hours people work at this equilibrium wage.

**Labor Union** – An economic institution that represents an organized group of workers (by industry or by type of worker regardless of the industry) to negotiate with management by means of collective bargaining.

**Land** – "Gifts of nature" that can be used to produce goods and services; for example, oceans, air, mineral deposits, virgin forests and actual fields of land. When investments are made to improve fields of land or other natural resources, those resources become, in part, capital resources. Also known as natural resources.

**Legal and Social Framework** – The system of laws, institutions, traditions and customs, and incentives that forms the basis of a society and its economy.

**Legal Forms of Business** – Forms of business organizations protected by a nation's laws; in the United States, the three forms of business organization are the corporation, partnership and sole proprietorship.

**Lend** – To grant someone the use of something, on condition that the object borrowed or its equivalent will be returned (often with interest, in the case of money).

**Lender** – One who lends; may be an individual or a business.

**Loss –** The money a business loses after it pays its production costs.

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**Market Economy** – An economy that relies on a system of interdependent market prices to allocate goods, services, and productive resources and to coordinate the diverse plans of consumers and producers, all of them pursuing their own self-interest.

**Markets** – A place where buyers and sellers exchange goods and services for money.

**Money (Definition of) –** A good used to buy other goods and services.

**Monopolies** – Exclusive privilege or control over a service/commodity in a specific market.

**Monopolistic Competition** – A market structure in which slightly differentiated products are sold by a large number of relatively small producers, and in which the barriers to new firms entering the market are low.

**Monopoly** – A market structure in which there is a single supplier of a good or service. Also, a firm that is the single supplier of a good or service for which there are no close substitutes; also known as a monopolist.

**Multiplier Effect** – The idea that a small increase in spending by consumers, businesses or government can cause large changes in economic production. The multiplier also works in reverse when spending decreases.

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**Natural Resources** – "Gifts of nature" that can be used to produce goods and services; for example, oceans, air, mineral deposits, virgin forests and actual fields of land. When investments are made to improve fields of land or other natural resources, those resources become, in part, capital resources. Also known as land.

**Needs –** Things you must have to live.

**Nonprofit Organization** – An organization that is exempt from federal (and sometimes state) taxes; receives income from donors, subsidized beneficiaries and, indirectly, taxpayers; and therefore should provide its goods or services free or below cost.

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**Occupation** – A job or profession; also a category of work, sometimes identified by the degree of skill required.

**Oligopoly** – A market structure in which a few, relatively large firms account for all or most of the production or sales of a good or service in a particular market, and where barriers to new firms entering the market are very high. Some oligopolies produce homogeneous products; others produce heterogeneous products.

**Opportunity Cost** – The second-best alternative (or the value of that alternative) that must be given up when scarce resources are used for one purpose instead of another.

**Outsourcing** – Sometimes called offshoring, outsourcing occurs when a firm in one country tries to reduce costs by locating production facilities in other countries and/or by hiring cheaper foreign workers.

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**Physical Capital** – An asset used in production that is made by humans, but is non-human.

**Poverty** – The state of being poor, variously defined. Sometimes defined relatively--by reference, for example, to the average household income in a nation or region. Sometimes defined absolutely--by reference, for example, to the income needed to provide for adequate food, housing and clothing in a nation or region.

**Price** – The amount of money that people pay when they buy a good or service; the amount they receive when they sell a good or service.

**Principal** – An original amount of money invested or lent.

**Producers** – People and firms that use resources to make goods and services.

**Product** – A good or service that can be used to satisfy a want.

**Production** – A process of manufacturing, growing, designing, or otherwise using productive resources to create goods or services used to to satisfy a want.

**Productive Resources** – Natural resources, human resources, capital resources and entrepreneurship used to make goods and services.

**Productivity** – The amount of output (goods and services) produced per unit of input (productive resources) used.

**Profit** – The money a business makes after it pays its production costs.

**Property Rights** – Legal protection for the boundaries and possession of property. Assigning of property rights to individuals, collectives or governments depends on the economic system.

**Public Goods** – Goods and services that are provided by the government.

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**Recession** – A decline in the rate of national economic activity, usually measured by a decline in real GDP for at least two consecutive quarters (i.e., six months).

**Resources** – The basic kinds of resources used to produce goods and services: land or natural resources, human resources (including labor and entrepreneurship), and capital.

**Revenue** – The money a business receives from customers who buy its goods and services. Not to be confused with profit.

**Risk** – The chance of losing money.

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**Salaries** – Payments for labor resources; unlike wages, not explicitly based on the number of hours worked. See also Wages.

**Salary** – A regular payment, often at monthly or biweekly intervals, made by an employer to an employee, especially in the case of professional or white-collar employees. Salaries are paid for services rendered and are not based on hours worked.

**Sale** – An exchange of goods or services for money.

**Sales Revenue** – The money a business receives from customers who buy its goods and services. Not to be confused with profit.

**Sales Tax** – Tax in the form of a percent of the cost of a good or service; paid to local and state governments when goods and services are purchased.

**Save** – To keep money for future use; to divert money from current spending to a savings account or another form of investment.

**Savers** – Persons who desire to conserve their monetary funds to the best of their ability.

**Saving** – Disposable income (income after taxes) minus consumption spending.

**Savings** – Money set aside for a future use that is held in easily-accessed accounts, such as savings accounts and certificates of deposit (CDs).

**Savings Account** – An interest-bearing account (passbook or statement) at a financial institution.

 **Scarcity** – When there is not enough for all who want it.

**Services** – Activities performed by people, firms or government agencies to satisfy economic wants.

**Shared Consumption** – A property of a good or service such that it can be used by many without diminishing another's ability to consume the same good; examples include street lights and radio broadcasts.

**Shortage** – Having fewer goods, services or resources available than you want.

**Sole Proprietorship** – A business owned by one person who receives all the profits and is responsible for all the debts incurred by the business.

**Special Interest Group** – An organization of people with a particular legislative concern. They work together to gather information, lobby politicians and publicize their concern.

**Specialization** – When people produce only some of the goods and services they consume, then trade with others to get more of the things they want.

**Spend** – Use money now to buy goods and services.

**Standard of Living** – A level of material comfort in everyday life that is measured by the goods and services available to an individual, group or nation.

**Substitute** – A good or service that may be used in place of another good or service; examples include tap water for bottled water (or vice versa) and movies for concerts (or vice versa).

**Substitute Good** – A good that can be consumed or used in the place of another good with minimal differences.

**Supply** – The amount of a good or service that producers are willing and able to offer for sale at each possible price during a given period of time.

**Surplus** – Having more goods, services or resources available than you want.

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**Taxation** – Taxation is the process in which a charge is imposed upon a taxpayer by a state or a legal equivalent of a state.

**Taxes** – Required payments of money made to governments by people and businesses that are used to provide goods and services.

**Trade** – The exchange of goods and services for money or other goods and services.

**Trade Barriers** – Restrictions that prevent free trade among nations. Examples include tariffs, import and export quotas, and nontariff restrictions such as licensing requirements and bureaucratic red tape.

**Trade-off** – When you choose to get less of one thing in order to get more of something else.

**Tragedy of the Commons** – Overuse or misuse of a commonly-owned resource, such as public grazing land or fishing waters.

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**Unemployment** – The number of people without jobs who are actively seeking work.

**Unemployment Rate** – The number of unemployed people, expressed as a percentage of the labor force.

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**Wage** – Payments for labor services that are directly tied to time worked, or to the number of units of output produced.

**Wants** – Things people like and desire.

**Withdrawal –** Money taken out of a bank account.

**Work** – Effort applied to achieve a purpose or result, often for pay; skills and knowledge put to use to get something done; employment at a job or in a position; occupation, profession, business, trade, craft, etc.

**Work Ethic** – A system of values in which central importance is ascribed to work and to qualities of character believed to be promoted by work; a sense of responsibility for doing a job well.

**Work Skills** – Ability to do things demanded in particular jobs.

**Workers** – People employed to do work, producing goods and services.

**World Bank** – An international organization that makes loans and provides technical expertise to developing nations.

**World Trade Organization (WTO)** – A trade agreement among over 100 nations that specifies the level of tariffs among the signatories and attempts to resolve trade disputes.