

ECONOMICS GLOSSARY OF TERMS

(for use with the crossword puzzle)

asset – anything of value owned by an individual or a corporation (i.e. cash, buildings, machinery, land, raw materials, etc.)

balance of payments – a country's statements of money spent (expenditures) and money earned (receipts) in international trade;

- if the payments are truly "balanced" it means that the country has sold products and goods (its receipts) that are equal to the money value of the products and goods that it has bought (expenditures) from other countries;

trade surplus: when the money value of what a country has sold (receipts) is ***greater*** than the money value of what it has bought from other countries (expenditures); seen as a good thing (country is making money)

- the \$ value of items it has sold to other countries is $>$ \$ value of items it has bought from other countries

trade deficit: when the money value of what a country has sold (receipts) is ***less*** than the money value of what it has bought from other countries (expenditures); seen as a bad thing (country is losing money to other countries)

- the \$ value of items it has sold to other countries is $<$ \$ value of items it has bought from other countries

barter – a method of exchanging goods or services without money.

bond – a written promise to repay a borrowed money by a certain date (usually plus interest)

boycott – an organized effort to refuse purchasing of goods or services from a certain person, store or organization to express disapproval (unhappiness) or to force acceptance of conditions (to force some sort of change).

- many consumers boycotted BP (British Petroleum) after the major oil spill disaster in the Gulf of Mexico a few summers ago (to punish them for not doing enough to prevent the disaster and/or not doing enough to fix it)

budget – a plan of (setting aside) income and spending for specific purposes

capital – money or property wealth used to produce goods or income

capital goods – man-made objects used to produce consumer goods and services (i.e. machinery, tools, buildings, computers, etc.)

capitalism – an economic system where private individuals own property and produced goods or services as they see fit and within certain legal limit.

cartel – a group of businesses or countries that act together to control the price and sale of products or resources (i.e. OPEC is a cartel that has a large impact on world-wide gas and oil prices)

check – paper backed by banks used in place of money to get goods or services.

consumer – a person who purchases goods or services.

consumer goods – man-made items used to satisfy human wants/needs.

Consumer Price Index (CPI) – numbers that measure changes in the prices of goods over a period of time; a major economic indicator

corporation – a business organization made up of multiple owners but acting as one; viewed by the government as being a “person” with rights

credit – the purchasing of goods or lending of money with a promise to repay the lender with interest; people and companies using too much credit has been a large cause of the world-wide (and U.S.) economic crisis of the past few years

currency – any medium of exchange (coins, paper bills, bank notes) that are used in circulation (meaning they pass from person to person, person to businesses, business to business, etc.); essentially a fancy term for “money”

deficit – when government spending exceeds (is greater than) the amount of money available; the federal deficit is currently over \$15 trillion and growing

deflation – a decrease in the price of goods due to overproduction and decreased demand; raises the value of money, which can be a positive or negative thing depending upon who you are (a borrower or a lender, a buyer or a seller)

demand – willingness and ability to purchase a quantity of goods or services at a specified price

depreciate – when a machine or other item decreases in value as a result of use or aging.

depression- a period of time when business falls below the predicted level and economic loss is heavy (large increase in unemployment and a significant reduction in spending)

deregulation – removing government controls on an industry or corporations; allowing companies to be more “free” in controlling themselves; think “laissez-faire”

dividend – a share of a corporation’s profits paid to the shareholders; (notice the word “dividend” has the word “divide” as its root; it is dividing a corporations profits amongst the owners of the company)

economics – relating to the study of how people and countries satisfy their need with available resources

embargo – a government decision to prohibit (prevent/not allow) imports or exports from another country; often done in the attempt to punish another country for something “wrong” that it has done; (i.e. there is a U.S. embargo on all products from Cuba)

entrepreneur – an individual who organizes, manages, and takes the risks of forming a new business to make a profit

environmental pollution – to contaminate (make dirty or impure) the natural resources with man-made waste.

Gross National Product (GNP) – the value of goods and services produced by a country in one year; an increase from one year to the next is usually seen as a good sign (of economic growth) while a decrease is usually seen as being bad (economic decline)

human resources – the total abilities that people possess (have) to produce goods and services.

inflation – an increase in the price of goods due to underproduction and increased demand; decreases the value of money, which can be a positive or negative thing depending upon who you are (a borrower or a lender, a buyer or a seller)

interdependence – to depend upon one another for mutual (shared) survival; this is the reason why your “neighbor’s” (your actual neighbor, the neighboring town, city, state, nation, etc.) economic problems could eventually become your problem; it also works the other way – if your “neighbors” are doing well economically it might have the effect of “pulling up” your economy as well

interest – money earned for lending money (usually associated with credit cards, mortgages, car loans, school loans, savings and checking accounts, bonds, CD’s, etc.)
- can make borrowing money extremely, extremely expensive and difficult to re-pay over the long-run

investment – an outlay of money in the hopes of gaining income or profit; the idea is that you do something with your money or property that causes it to grow in value.

labor union – workers organized (uniting together) to improve its members’ wages, benefits, and working conditions; there has been a decline in union membership since about the 1950’s and 1960’s

money – any object generally accepted as a means of payment.

monopoly – a product or service controlled exclusively by one seller; can affect prices, quality and supply of the product; usually seen by most people as being a negative thing (takes away consumer choice)

natural resources – raw materials supplied by nature such as land, forests, oil, etc. which are used to make goods; we are using/contaminating them faster than the Earth is able to replenish/de-contaminate them

nonrenewable resources – resources that cannot be replaced.

partnership – co-owners of a business enterprise.

producer – an individual or group of individuals that provide the goods and services.

product – a good or service.

profit – the excess (extra) between the cost of the goods and the price at which it is sold; the goal of businesses and business owners is to make a profit

profit motive – the driving force of wanting to make money; the thing that motivates people to work hard, to take risks, to start businesses, etc.

rent – fees charged to temporary users of property.

reserve – the amount of dollars a bank has in its possession to honor withdrawals (the act of people taking out their money); banks do not need to have all of the money available that its customers have placed into their accounts because the banks need to use some of that money to lend to other people and businesses (which is how they make their money – by charging interest on those loans); the “reserve” is the amount of money that a bank **is required** to have in its vaults at any given time

scarcity – a condition that exists when there are too few goods or services to meet the demand.

service – work or labor performed to satisfy a human need.

sole proprietorship – a business owned by one person.

stocks/shares – certificates of ownership in part of a company; purchased on a stock market through a stock broker or online brokerage; gives the owner of the stock a claim to a corporations profits (in the form of dividends)

strike – the refusal of workers to work until their demands for salary or improved conditions are met; risky to workers (not guaranteed to get them what they want); disruptive to businesses and consumers of products and services

supply – the quantity of goods or services available to be sold.

tariff – a tax imposed on imported goods.

tax – a required fee that all citizens must pay to their government.

technology – scientific & engineering knowledge used in the production of goods & services.