

## Intermediate Glossary

ABUNDANT RESOURCES	those resources that are in relatively large supply; <b>see</b> <i>scarce resources</i>
ACCOUNT	1. the money available to the client of a bank; 2. the location in the bank—name or number—where the client’s money is stored
ADVERTISE	informing consumers about a good or service, particularly by praising it
ADVERTISEMENT	the method by which a business lets the consumer know about its good or service; provides information about the good or service that the producer or distributor wishes to be known
ADVERTISER	one who advertises
ALLOCATE	to use for a particular purpose
ALLOCATION OF RESOURCES	the distribution of the available factors of production (resources) among the various uses to which they might be put
ALTERNATIVE COST	<b>see</b> <i>opportunity cost</i>
ALTERNATIVES	choices
ANNUAL PERCENTAGE RATE (APR)	the interest rate or the cost of credit for one year
ARBITRATION	the settlement of a dispute by a person or persons chosen to hear both sides and come to a decision
ASSEMBLY LINE	an arrangement in which a product is assembled by having each worker perform one specialized task as the product passes by on a moving conveyance; <b>see</b> <i>specialization</i>
ATM	<b>A</b> utomatic <b>T</b> eller <b>M</b> achine
AVAILABLE CREDIT	the preset amount of credit available on a credit card
AVERAGE PER-CAPITA INCOME	average earnings of persons in a specific market area

AVERAGE PER-FAMILY INCOME	average earnings of families in a specific market area
BALANCE	the amount of money one has in a bank account
BANK	a business that stores money (in checking and savings accounts) and that exchanges and lends money
BANK CREDIT CARD	a card, like Visa or MasterCard, that lets one make purchases or obtain cash advances and repay the cost of those purchases plus interest (in most instances) over time
BARTER	the direct trade or exchange of goods and services between people without the use of money; <i>see exchange and trade</i>
BENEFIT	anything that is helpful or advantageous
BENEFITS	to receive advantages or good things as a direct result of employment; also called <i>fringe benefits</i>
BORROW MONEY	to use money belonging to another person or financial institution, usually by agreeing to pay interest for the use of the money
BROKER	a person who acts as an agent in making contracts, sales or purchases, particularly of stocks, bonds or real estate
BUDGET	a plan for the use of time, money or resources
BUDGET DEFICIT	expenditures in excess of revenues, particularly government expenditures in excess of tax revenue, financed by borrowing or money creation
BUDGET SURPLUS	excess of revenue over expenditures, particularly government tax revenues greater than expenditures; may be impounded or used to retire public (national) debt
BUSINESS	a basic economic unit; an organization involved in the buying of and hiring of resources to produce a good and/or service with the intention of making a profit for the owner(s)

BUSINESS CYCLE	a predictable long-term pattern of alternating periods of economic growth (recovery) and decline (recession), characterized by changing employment, industrial productivity, and interest rates; also called <i>economic cycle</i>
BUSINESS PLANNER	a professional who systematically manages the tasks of the business to achieve success
CAPITAL	1. one of the factors of production; 2. a man-made resource used in the production of goods and services; includes factories, equipment, machinery, etc.; 3. durable goods used to produce final goods and services; also called <i>capital goods</i> or <i>capital resources</i>
CAPITAL FORMATION	addition to the stock of capital goods; also called capital growth
CAPITAL GOODS	tools, machinery, buildings, etc. used to produce final goods or services; <b>see</b> <i>capital</i>
CAPITAL GROWTH	<b>see</b> <i>capital formation</i>
CAPITAL RESOURCES	goods made by people and used to produce other goods and services; also called <i>intermediate goods</i>
CAPITALISM	an economic system based on private ownership of property or productive resources that owners may use to produce goods or services and receive the profits or losses from this use; system characterized by competition, the profit incentive and free markets
CARRYING CHARGE	interest paid to a business when the firm allows one to purchase goods or services on credit; also called <i>interest</i> or <i>finance charge</i>
CARTEL	an organization of producers designed to limit competition between members usually by restricting output to raise prices; Example: OPEC is a petroleum cartel.
CASH	coins, currency, or the equivalent; Examples: money orders, personal checks, cashier's checks
CASH PRICE	the full price one pays for a good or service if one pays with cash; <b>see</b> <i>credit price</i>

CHECK	a written order to a bank to pay a certain amount of money from a person's account to a business or some other person
CHECKING ACCOUNT	a bank, credit union or other financial institution account that is available on demand; the owner of the account writes a check that is treated like currency in the market; Note: Demand deposits—the amount of money deposited in checking accounts—are one component (part) of the money supply.
CHOICE	what someone must make when faced with two or more alternative uses for a resource; also called <i>economic choice</i>
CIRCULAR FLOW	a model of an economy showing the interactions between households and businesses as they exchange goods and services and resources in markets
CITY GOVERNMENT	the government of the local town or incorporated municipality; Example: the government of the City of Lakeland
COIN	1. one of the components (parts) of the money supply; 2. a piece of metal stamped with a design and issued to the public to be used as money
COLLATERAL	assets that can be pledged to obtain a loan
COLLECTIVE BARGAINING	bargaining by a committee or union (representing the employees of a business or industry) with an employer or group of employers to arrive at agreements regarding wages, hours or conditions of employment for all employees
COLLECTIVE FARM	a farm owned and operated by the state on which workers are paid wages to produce crops that belong to the state; common in China
COMMAND ECONOMY	an economy in which decisions are made by the government: what goods and services to produce, what productive methods to use, how to allocate resources, how to distribute output and what prices to charge

COMMON MARKET	a group of countries that agree to eliminate all tariffs (or other restrictions) on international trade between each other and to have a common external tariff on all products coming from non-members
COMMERCIAL BANK	a financial institution whose main function is to accept deposits and make loans
COMMISSION	a sum or percentage paid to an agent for his or her services
COMMODITIES	goods produced to satisfy wants
COMMUNISM	economic system in which all productive resources are owned collectively; individuals work for the common good and distribution of output is determined by need
COMPARE	to examine for similarities and differences
COMPARATIVE ADVANTAGE	the ability to produce a good or service at a lower opportunity cost than someone else; <b>see</b> <i>absolute advantage</i>
COMPARATIVE ADVANTAGE, LAW OF	the principle that, given the freedom to respond to market forces, countries will tend to export goods for which they have comparative advantage and import goods for which they have comparative disadvantage and that they will experience gains from trade by doing so
COMPENSATION	payment
COMPETITION	the efforts of two or more businesses to secure the consumer's business; techniques used by businesses to gain more customers and to earn higher profits; <b>see</b> <i>rivalry</i>
COMPETITIVE MARKET	a market in which there are many buyers and sellers, no barriers to entry, and a homogeneous product
COMPETITOR	a person or firm which competes with others
COMPLEMENTARY GOODS	goods or services that tend to be used together; Examples: cars and tires, golf clubs and golf balls
COMPOUND INTEREST	interest paid upon money deposited in an account and also on all the interest already earned by the deposit; <b>see</b> <i>simple interest</i>

CONSERVATION	the wise use of natural resources
CONSUME	to buy and/or use goods and/or services
CONSUMERS	people or businesses whose wants are satisfied by using goods and services; those who buy and make final use of goods and services
CONSUMER GOODS	tangible objects — food, automobiles, shoes, etc. — that satisfy consumer wants and/or needs.
CONSUMER PRICE INDEX (CPI)	a measure of the average percentage change in the price of a set of commodities commonly bought by households, compiled mainly by the Bureau of Labor Statistics; also called CPI
CONSUMER SERVICES	productive acts of labor that do not result in tangible products, but do satisfy consumer wants and/or needs
CONSUMER SOVEREIGNTY	the consumer determining the types and quantities of what is produced by an economy; buying a good or service can provide an incentive to continue producing this good or service. Note: If consumers do not purchase the good or service, there is likely no incentive to produce.
CONSUMPTION	the act of buying and/or using goods and services to satisfy human wants and/or needs
COOPERATIVE	a special form of corporation that differs from normal corporations in that: 1. voting is one vote per member rather than one vote per share; 2. business is conducted primarily with and for the benefit of members Examples: financial cooperatives (credit unions), buyer cooperatives (electricity) and seller cooperatives (dairy farmers)
CORPORATION	chartered by the state, a business that operates as a legal entity separate from its owners
CO-SIGNER	a person who shares the responsibility of the loan with the primary borrower

COST	<ol style="list-style-type: none"> <li>1. the <b>price</b> of a good or service; the money cost;</li> <li>2. the <b>value</b> of goods and services that are given up in order to purchase or produce a particular good or service (<i>opportunity cost</i>);</li> <li>3. the <b>value</b> of goods and services used to produce an output (<i>cost of production</i>)</li> </ol>
COST OF PRODUCTION	all resources used in producing goods and services for which owners receive payment
COST-PUSH	a type of inflation caused by increases in the cost of producing a product such as increases in the cost of materials or labor or increases in interest rates
COUNTY GOVERNMENT	government of one of the large divisions of a state Example: the government of Polk County
CREDIT	obtaining money, goods or services with a nominal initial payment (called the <i>down payment</i> ) with the promise to pay in the future, usually with some additional amount of money (called <i>interest</i> or <i>carrying charge</i> ) added to pay for the use of the money
CREDIT CARD	a card issued by a business, bank or financial institution that allows one to have credit with that business or, if it is a bank card, with many businesses
CREDIT LIMIT	the maximum amount that a borrower can borrow on a particular loan or credit card
CREDIT PRICE	the full price one pays for a good or service if one buys it on credit; equal to the cash price plus interest
CREDIT RATING	a measure of a borrower's credit worthiness based on the borrower's resources and character
CREDIT REPORTING AGENCY	a company that gathers information about the credit histories of consumers and provides this information to creditors
CREDIT UNION	a cooperative group that holds savings and makes loans to its members, typically at an interest rate lower than the market rate; checking accounts and other services are also available to members
CREDITOR	one to whom a debt is owed by another

CRITERIA	standards used in making a decision (plural form; singular form is <i>criterion</i> )
CURRENCY	1. a component (part) of the money supply; 2. paper bills issued by the government to be used as money
CUSTOMER	a person who buys goods and/or services
DEBIT CARD	a purchase card that pays for a purchase by deducting the cost of the purchase directly from a bank account
DEBTOR	one who owes money to another
DEFAULT	failure to pay a loan when the payment is due
DEFERRED PAYMENT PRICE	the total price of the product or service plus the finance charge; <b>see</b> <i>credit price</i>
DEFICIT SPENDING	<b>see</b> <i>budget deficit</i>
DEFLATION	a decrease in the general level of prices; causes an increase in the purchasing power (value) of money
DEMAND	<p>a schedule of how much consumers are willing and able to buy at all possible prices during some time period; the quantities of a good, service or resource that consumers are willing and able to buy at a particular time at all relevant prices; usually expressed as a table (<i>demand schedule</i>) or as a graph (<i>demand curve</i>) of quantities of a good or service demanded at different prices</p> <p>Note: 1. Economists differentiate between <i>demand</i> and <i>quantity demanded</i>. Demand is based upon the tastes, expectations and incomes of consumers, the number of consumers in the market and the prices of related goods. A change in any of these will cause a shift in demand so that at each price a greater or lesser quantity will be demanded than before the change. As price changes, the move along the curve is toward a greater or lesser quantity demanded.</p> <p>2. <i>Demand</i> is the whole curve; <i>quantity demanded</i> is one point on that curve and is associated with a particular price.</p>

DEMAND DEPOSIT	component (part) of the money supply; a deposit in a financial institution account that may be withdrawn or transferred to another person or business upon demand, for example by writing a check or using a debit card
DEMAND-PULL INFLATION	increase in prices caused by increases in demand; “Too many dollars chasing too few goods.”
DEMOGRAPHICS	statistical characteristics of populations such as age, income, gender, etc.
DEPOSIT	the <b>act</b> of putting money into an account in bank or other financial institution <b>or</b> the <b>sum</b> of money put into a bank or other financial institution at one time
DEPRECIATION	the yearly (annual) decline in the value of something
DEPRESSION	an unusually deep, widespread and prolonged recession or downturn in the economy; The word “depression” has no special meaning different than recession except that it is sometimes used to indicate a particularly severe recession or period of recessions. <b>see</b> <i>recession</i>
DIMINISHING RETURNS (LAW OF)	economic principle stating that if one factor of production is increased while the others remain constant, the overall returns will relatively decrease after a certain point Example: After some point, successive increase in labor added to fixed amounts of land (or capital) will not cause a proportionate increase in output.
DIRECT TAX	a tax levied directly upon an individual or business as opposed to an indirect tax which is levied upon the sale of goods or services; Examples: personal and corporate income taxes, property taxes, inheritance taxes; Note: The burden of both direct and indirect taxes may be shifted through market forces to other parties. <b>see</b> <i>indirect tax</i>
DIRECTLY RELATED	In a given situation, two factors will respond in the same direction as each other. Example: When the price of tomatoes rises, farmers are willing to grow a larger quantity of tomatoes.
DISCOUNT RATE	interest that Federal Reserve Banks charge banks for the use of money

DISPOSABLE INCOME	income that is not committed to a particular use and can be used flexibly on whatever someone wants to purchase; income received by households after taxes and other deductions have been made
DISSAVE	to spend more than one's current income in any period of time
DISTRIBUTION	the part of the productive process in which a good is transported to geographical locations where it can be used to satisfy the wants and needs of consumers
DISTRIBUTION OF INCOME	the way in which a nation's total income in the form of wages, rent payments, interest and profits is distributed among its citizens; refers to the degree of equality or inequality of personal income
DISTRIBUTOR	one who is involved in the process of distribution of goods and services from producer to consumer; <i>see distribution</i>
DIVIDENDS	the portion of corporate profits paid out periodically by a business to the owners of shares of stock, expressed as a dollar amount per share of stock
DIVISION OF LABOR	the process whereby workers perform only a single task or very few steps of a major production task, as when working on an assembly line; the separation of a productive process (making a cake) into various tasks (measuring, pouring, stirring, tending the oven, frosting) to be performed by different workers  Note: Specialization and division of labor often result in increased output. <i>see specialization</i>
DOWN PAYMENT	the initial payment one makes when purchasing something on credit
DURABLE GOODS	goods with a long, useful life (automobiles, stoves, furniture) usually defined as a minimum of 3 years  Note: Economists usually use this term for "big ticket" items, but not for other less expensive items, such as cassette tapes or CDs. Tapes and CDs may have a very long life but are inexpensive and may be readily discarded when one tires of them.

ECONOMIC EFFICIENCY	producing some quantity of output at least cost, in terms of alternative output sacrificed
ECONOMIC GROWTH	an increase in a nation's total output of goods and services; usually measured in <i>per capita</i> terms
ECONOMIC PROFIT	excess of revenue over all costs of production, including a <i>normal profit</i> ; the return a business makes on invested capital, minus the cost of capital, times the amount of invested capital; <b>see</b> <i>normal profit</i>
ECONOMIC QUESTIONS	the four questions that every society must answer as it allocates its scarce resources to meet the unlimited wants of its people: <b>WHAT</b> will be produced? (composition of output) <b>HOW</b> will it be produced? (productive methods) <b>FOR WHOM</b> is the output intended? (allocation of final goods and services) <b>HOW MUCH</b> will be produced (How large is the GDP? How large should it be?) The first three are microeconomic questions and the last is the macroeconomic question. <b>see</b> <i>microeconomics</i> and <i>macroeconomics</i>
ECONOMIC RENT	payment to a factor of production in excess of the minimum required to keep that factor in the particular line of production
ECONOMIC STABILITY	1. the absence of large changes in economic activity 2. a situation with steady growth of production, employment and standard of living with no change in the price level
ECONOMIC SYSTEMS	the way a society organizes the production, consumption and distribution of goods and services
ECONOMICAL	not wasteful, particularly of resources such as money
ECONOMICS	the study of how people make choices about the best use of scarce resources
EFFICIENT	making the best possible use of scarce resources; producing the largest output with the least input
ELASTIC DEMAND	demand that is relatively responsive to changes in price; occurs when the percentage change in quantity demanded by buyers is greater than the percentage in change in price

ELASTIC SUPPLY	supply that is relatively responsive to changes in price; occurs when the percentage change in quantity that producers are willing to supply is more than the percentage change in price
ELASTICITY OF DEMAND	the degree of consumer responsiveness to changes in price; Demand is elastic when a change in price results in a relatively greater (more than proportional) change in the quantity of a good that people will buy.
ELASTICITY OF SUPPLY	the degree of sellers' responsiveness to changes in prices; Supply is elastic when a change in price results in a relatively greater (more than proportional) change in the quantity offered for sale.
EMBARGO	a government prohibition against the shipment of certain products to a particular country for economic or political reasons; a government order imposing a trade barrier
EMERGENCY	a sudden, urgent, unexpected occurrence requiring immediate activity (response)
ENERGY	something that can produce heat, light and/or motion
ENTREPRENEUR	one who organizes and manages resources—including labor—to produce goods and/or services and who assumes the risks of a business for the sake of the possible profit
ENTREPRENEURSHIP	assuming the risks of owning your own business; one of the factors of production; <i>see factors of production and managerial ability</i>
EQUILIBRIUM PRICE	the price at which the quantity demanded by buyers equals the quantity supplied by sellers; <i>see market clearing price</i>
EURO	the basic monetary unit of most members of the European Union (introduced in 1999)
EUROPEAN UNION	family of democratic European countries, committed to working together for peace and prosperity; In the early years, much of the co-operation between EU countries was about trade and the economy, but now the EU also deals with many other subjects of direct importance for our everyday life. The historical roots of the European Union lie in the Second World War. May 9 1950 is the

"birthday" of what is now the EU and is celebrated annually as Europe Day. Initially, the EU consisted of six countries: Belgium, Germany, France, Italy, Luxembourg and the Netherlands. Denmark, Ireland and the United Kingdom joined in 1973, Greece in 1981, Spain and Portugal in 1986, Austria, Finland and Sweden in 1995. In 2004 the biggest ever enlargement takes place with 10 new countries joining.

EXCHANGE	trading a good or service for another good or service or for money; may be accomplished with or without money; <i>see barter and trade</i>
EXCHANGE RATE	1. the price of currency of one country in terms of the currency of another country; 2. the rate at which one currency can be exchanged for the currency of another country; The rate of exchange can be used to convert prices from one currency standard to another.
EXPENDITURES	the outlays of cash in a given period; distinguished from costs which include items not involving current cash outlays
EXPLICIT COSTS	costs requiring cash outlays payable to persons outside the firm
EXPORT	selling our country's products to other nations; the item being sold
EXTERNAL BENEFITS	benefits accruing to persons outside the market transaction; also called an <i>external economy</i> or <i>spillover benefit</i> ; Example: A large tree in your yard shades the sidewalk, a benefit to the entire neighborhood.
EXTERNAL COSTS	costs imposed on persons who are not involved in the production or use of a good or service; sometimes called a <i>spillover cost</i> or <i>external diseconomy</i> ; Example: Air pollution from a factory is a cost imposed on everyone in the vicinity.
EXTERNAL DISECONOMY	<i>see external cost</i>
EXTERNAL ECONOMY	<i>see external benefit</i>

EXTERNALITIES	effects, good or bad, on parties not directly involved in the production or use of a good or service
FACTOR INPUTS	land, labor, capital; also called <i>resources</i> ; <i>see factors of production</i>
FACTOR PAYMENTS	payments made to the owners of the factors of production— <i>wages</i> to labor; <i>rent</i> to owners of land or capital goods; <i>interest</i> to those who have loaned the money to buy capital goods or land; and <i>profit</i> to the owners of the business
FACTORS OF PRODUCTION	resources used by businesses to produce goods and services; The four are land, labor, capital and entrepreneurship or managerial ability.
FDIC	<b>F</b> ederal <b>D</b> eposit <b>I</b> nsurance <b>C</b> orporation – the federal government agency that insures bank depositors' accounts
FICA	<b>F</b> ederal <b>I</b> nsurance <b>C</b> ontributions <b>A</b> ct—name of the federal law that provides for deductions to be taken from the wages of citizens and invested by the government to pay Social Security benefits
FEDERAL COMMUNICATIONS COMMISSION	the federal agency that regulates interstate communications including the right to operate radio and TV stations
FEDERAL GOVERNMENT	the government of a nation; Example: the government of the United States; <i>see government</i>
FEDERAL RESERVE NOTE	paper currency; printed and distributed by the Federal Reserve Bank of the United States the value of which is guaranteed by the US government
FEDERAL RESERVE SYSTEM	a nationwide network of 12 banks, controlled by the Federal Reserve Board (the Fed), which do not deal with the public but implement Federal Reserve policies; They act as depositories for member banks.
FTC	<b>F</b> ederal <b>T</b> rade <b>C</b> ommission—the federal government agency charged with maintaining competition by preventing “unfair competition” or the development of monopolies
FEE	a charge to the customer by the bank for a service such as writing a check or using an ATM machine

FIAT MONEY	money with no precious metal backing or special reserve that exists by the authority of a government; a promise to pay by the issuer and does not necessarily have any intrinsic value
FINAL GOODS AND SERVICES	goods and services sold to persons who will consume them
FINANCE CHARGE	the cost of credit; charges connected with credit for example interest costs; also called <i>carrying charge</i> or <i>interest</i>
FINANCIAL INSTITUTION	a business engaged in borrowing, holding and/or lending money
FINANCIAL RISK	the exposure of assets or money belonging to an individual or a business to the possibility of loss by undertaking a business venture
FIRM	<i>see business</i>
FISCAL POLICY	refers to the expenditure a government undertakes to provide goods and services and to the way in which the government finances these expenditures; changes in government spending or taxes to stabilize economic conditions; If successful, this brings about stable prices, economic growth and full employment.
FIXED COSTS	costs that do not change as the output of the firm changes; Examples: rent, interest, insurance; <i>see variable costs</i>
FOOD AND DRUG ADMINISTRATION	a division of the Department of Health and Human Services that protects the public against impure and unsafe food, drugs, and cosmetics
FOOD ENERGY	energy received by the body from food; used for motion and heat
FORFEITURE	giving up a security deposit when the obligations of a lease are not met
FOSSIL FUELS	fuels formed underground from once living things—oil, natural gas, coal, etc.
FREE ENTERPRISE	an economic system characterized by private ownership of property and resources, competition and free markets; a system in which individuals, rather than

government, make the decision about the way resources are used, and goods and services produced and used; also called *capitalism*

#### FREE GOOD

1. a good for which the market price is zero at a particular time and place;
2. a good for which quantity supplied is greater than quantity demanded at a zero price

A good is a *free good* because it is not scarce, relative to the demand for it.

Note: Air is considered a *free good*. It is important to us, but since there is so much of it we do not have to pay for it. However, if we continue to pollute the air, we may have to pay for scarce clean air.

#### FREE MARKET

market where the exchange takes place without control or invention by government; **see** *competitive market*

#### FREE TRADE

the policy of having no government restrictions on the exchange of goods or services between regions or nations thus letting the law of comparative advantage operate freely

#### FRINGE BENEFITS

any of a variety of indirect, non-cash benefits, such as health insurance, pension benefits, work clothes, etc. provided by employers in addition to regular wage or salary compensation; Fringe benefits cost the employer but are not seen by the worker as a part of their money income and are usually not taxable.

#### FULL EMPLOYMENT

a condition where anyone who is willing and able to work at the prevailing wage rate is employed

#### FUNCTIONS OF MONEY

the uses of money—

1. a medium of exchange to buy good and services;
2. a measure of value to determine how much a good or service is worth, usually measured in dollars;
3. a store of value—a convenient (liquid) way to store wealth

#### FUTURE CONSUMPTION

the purpose of saving (not consuming) now in order to have the resources available for consumption at a later date; Example: saving money for a summer vacation or for retirement

#### GOODS

objects that can be held or touched that can satisfy people's wants or needs; **see** *product*

GOVERNMENT	<ol style="list-style-type: none"> <li>1. the form or system of rule by which a nation, state or city is governed;</li> <li>2. the group of persons whose job it is to run the affairs of the state, nation, etc.</li> </ol> <p>Government usually exists at 3 levels: federal, state and local; each will typically perform a different function.</p>
GOVERNMENT INCOME	net taxes (taxes minus transfer payments such as social security and veterans' benefits)
GOVERNMENT MONOPOLY	the ownership and operation of the production of goods and services by any level of government to the exclusion of private firms; Examples: the US Postal Service, many water and sewer systems and the central banks of most countries
GOVERNMENT REGULATIONS	rules of conduct for individuals and businesses
GROSS	without deductions; <i>see gross income</i>
GROSS DOMESTIC PRODUCT (GDP)	total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports; usually called the GDP; <i>see nominal GDP and real GDP</i>
GROSS INCOME	the amount of money earned in a pay period before any taxes and other payroll deductions have been subtracted
HOMOGENEOUS PRODUCT	<p>an undifferentiated product; a product in which every unit is just like every other unit</p> <p>Note: One of the qualifications for perfect competition is a homogeneous product. In other market structures, a differentiated product is possible.</p>
HUMAN CAPITAL	investment in labor productivity by means of education, job training, etc.
HUMAN RESOURCES	the quantity and quality of human effort directed toward producing goods and services; also called <i>labor</i>
IMPLICIT COST	costs requiring no cash outlay; cost of keeping self-owned resources in production; <i>see opportunity cost</i>

IMPORT	buying products from other countries; the <i>product</i> purchased from another country
IMPORT SUBSTITUTION	producing goods in our country to replace goods being imported from other countries
INCENTIVES	factors that motivate and influence the behavior of households and businesses; Prices, profits and losses act as incentives for participants to take action in a market economy.
INCOME	<ol style="list-style-type: none"> <li>1. money received by households in return for the use of the resources that they (households) own;</li> <li>2. money earned by the factors of production in the form of wages, rent, interest and profit</li> </ol>
INCOME TAX	taxes paid to the government (federal, state and/or local) by households and business firms on the income they (households) receive
INDIRECT TAX	a tax levied upon the sale of goods or services as opposed to a direct tax which is levied directly upon an individual or business; Examples: sales taxes, employment taxes, tariffs; Note: The burden of both direct and indirect taxes may be shifted through market forces to other parties. <b>see</b> <i>direct tax</i>
INFLATION	a general increase in the price of goods and services; may be caused by an increase in production costs or increases in demand for goods and services
INDUSTRIAL REVOLUTION	historically, the period of development of technology that allowed nations to change from agriculture based economies to industrial based economies and from hand labor to large scale use of capital goods
INDUSTRIALIZING	the process of using more advanced technology in the production of goods and services
INDUSTRY	a collection of firms producing identical or closely related products
INELASTIC DEMAND	demand that is relatively unresponsive to changes in price; the percentage change in quantity demanded by buyers is less than the percentage change in price

INELASTIC SUPPLY	supply that is relatively unresponsive to changes in price; the percentage change in quantity supplied by producers is greater than the percentage change in price
INFLATION	a general increase in the price of goods and services; may be caused by an increase in production costs or increases in demand for goods and services
INHERITANCE	property or money received from an estate or through a will
INNOVATION	a new and better way to do something
INPUT	resources used to produce a good or service; also called <i>factor input</i> or <i>factor of production</i>
INSTALLMENT	required payments of equal amounts, every month until the loan is paid in full
INSURANCE	protection against the risk of large losses; purchased by paying a relatively small price called the <i>premium</i> ; types include automobile, homeowners, life, health, disability to protect against cost associated with losses such as auto accidents, damage to homes, death or illness
INTERDEPENDENCE	dependence on others for goods and services; occurs as a result of specialization; two or more persons, regions or countries that depend upon each other to supply goods and/or services to satisfy their wants and needs; increases as <i>division of labor</i> and/or <i>specialization</i> increase Example: Wisconsin specializes in the production of cheese while Florida specializes in the production of citrus products. Since neither state wants to exist solely on its own output, they trade and become interdependent.
INTEREST	the amount of money paid to a customer by the bank for keeping the customer's money; the amount of money paid to the bank by the customer when the customer borrows money from the bank; also called <i>carrying charge</i> or <i>finance charge</i>
INTEREST RATE	interest payments expressed as a percentage of principal amount

INTERMEDIATE GOODS	goods that will be further processed for resale; Example: Sheet metal and glass are intermediate goods purchased by the auto industry and processed further into automobiles.
INTERNATIONAL TRADE	exchange of goods and services that takes place between nations
INVENTORY	a supply of a product or products that a business has “on hand”
INVERSELY RELATED	in a given situation two factors will respond in the opposite direction to one another; Example: When the price of coffee went up, the amount of coffee consumed went down.
INVESTMENT	the use of money to produce income or profit
JOINT ACCOUNT	a bank account shared by two or more people who are official signers on the account
LABOR	<i>one factor of production</i> ; the human input into the production process; workers hired by a business whose efforts are directed toward production of goods and/or services in exchange for which they are paid a wage or salary; Both physical and mental effort are considered types of labor.
LABOR FORCE	the total of all people over 16, working or looking for work
LABOR UNION	an association of workers who are organized to bargain collectively with employers
<i>LAISSEZ FAIRE</i>	a policy that calls for government not intervening in business or economic activities; French term literally meaning “let do” or “allow to act”
LAND	<i>one factor of production</i> ; the natural resources available for production; includes real estate (earth) and all natural resources such as mineral deposits, water and timber
LAW OF INCREASING COSTS	economic principle stating that the opportunity cost of additional units of a good tend to increase as the society attempts to produce more of the good

LENDER	person or financial institution that loans money to another
LIMITED RESOURCES	<i>see scarce resources</i>
LIQUIDITY	ability to convert an asset into cash easily and quickly
LOCAL GOVERNMENT	<i>see city government</i>
LOSS	negative difference between cost and sale price; <i>see profit</i>
MANAGEMENT	1. the process of organizing and utilizing resources to produce goods and/or services; 2. the group or individual in a business that does the organizing of resources to produce goods and/or services
MANAGERIAL ABILITY	the skill needed to organize and utilize resources, including human resources, to produce goods and/or services; <i>see entrepreneurship</i>
MARGINAL UTILITY	the extra utility or satisfaction one receives from consuming one more unit of a good or service
MARKET	a specified category of potential buyers; any setting where buyers and sellers exchange goods, services, resources and currencies
MARKET CLEARING PRICE	the price at which the quantity that people are willing to buy is equal to the quantity sellers are willing to offer, that is, there is neither shortage nor surplus; <i>see equilibrium price</i>
MARKET ECONOMY	an economic system where most goods and services are exchanged through private transactions by private household and businesses; Buyers and sellers making exchanges in private markets determine prices.
MARKET EQUILIBRIUM	situation occurring when there is equality between quantities supplied and demanded and the price at which goods are being exchanged has no tendency to change
MARKET PRICE	the price at which a good or service is selling in the open market; also called <i>market value</i>
MARKET SYSTEM	a method of coordinating economic activity that relies on the individual choices of competing buyers and

	sellers, each seeking individual gain, to allocate resources in the production and distribution of goods and services; <i>see command economy, traditional directed economy, and capitalism</i>
MARKETING	a system where suppliers (producers) advertise, distribute and sell products to the demanders (consumers)
MASS PRODUCTION	production of many units of a product with workers doing specialized jobs
MECHANIZATION	the process of transforming productive activity from labor to capital intensive
MEDIA	the means of communication such as radio, TV or newspapers that reach large numbers of people (plural form; singular form is <i>medium</i> )
MEDIUM OF EXCHANGE	<i>see functions of money</i>
MERCHANDISE	the goods that someone wants to sell
MICROECONOMICS	the study of the decision-making processes of individual economic units (households, businesses); seeks to explain how the three (3) basic economic questions of <b>What?</b> , <b>How?</b> and <b>For Whom?</b> are answered in a market system
MINIMUM BALANCE	the amount of money required to be kept in an account to avoid paying a service charge
MINIMUM WAGE	the lowest legal hourly wage
MINT	the facility where coins are produced
MIXED ECONOMY	an economy where a combination of the three basic methods of coordinating economic activity ( <i>market, command and traditional</i> ) are used; All economies are mixed to some degree. Example: The US has a free enterprise system that has some government involvement in the marketplace (command); therefore, it is a mixed economy.
MODEL (ECONOMIC)	simplified representation of the real world; used to make predictions or to better understand reality

MONETARY POLICY	policy aimed at controlling the rate of growth of the nation's money supply (currency plus bank deposits) so as to promote national goals regarding the level of economic activity and prices
MONEY	a medium of exchange; a good that can be used to buy other goods and services or to repay debts
MONEY CREATION	Banks (depository institutions) create money by granting loans to businesses and individuals. These loans add new deposit dollars to the account balances of the businesses and individuals. The amount of new money banks can create is limited by the policies of the Federal Reserve System.
MONEY INCOME	the dollar amount of income; <i>see real income</i>
MONEY SUPPLY	the amount of coins, bills and deposits in checking accounts held by the general (non-bank) public; also called <i>M1</i>
MONEY WAGE	<i>see money income</i>
MONOPOLISTIC COMPETITION	a market situation in which there are a number of competing sellers of products that are not identical but that are close substitutes; Each seller may have a "monopoly" of a particular brand name or location, but the dominating characteristic is competition.
MONOPOLY	one seller; a market structure where one business or individual controls the entire supply of a good or service for which there are no close substitutes
MORTGAGE	a loan secured by real estate (land or buildings)
MUTUAL FUNDS	an investment trust in which groups of investors pool their money and give management discretion to invest as it sees fit
NATURAL MONOPOLY	an industry where per-unit costs decline as the output increases making the most economical size of the firm very large; If one firm supplies the entire output, consumers pay less than if many small firms produce the output. Example: Electric power is generated more efficiently on a very large scale. Therefore, electric power generation is considered to be a natural monopoly. The monopoly is allowed to exist with some governmental regulation.

NATURAL RESOURCES	"gifts of nature" that are present without human intervention, also called <i>land</i> ; Examples: coal, water, timber; <b>see</b> <i>factors of production</i>
NEEDS	desires felt by consumers for basic necessities of life— food, clothing and shelter; <b>see</b> <i>wants</i>
NET INCOME	"take home pay"; the actual amount of money received after taxes and other payroll deductions have been subtracted from gross income
NET INVESTMENT	total investment (gross) less a depreciation allowance to account for wear and/or obsolescence
NOMINAL GDP	the <i>gross domestic product</i> expressed in the prices of the particular year. <b>see</b> <i>GDP</i> and <i>Real GDP</i>
NON-DURABLE GOODS	goods that have a short useful life— socks, light bulbs, etc.—or satisfy consumer wants and/or needs by being used up— hamburgers, etc.
NON-RENEWABLE RESOURCES	those natural resources— oil, coal, iron, etc.—that do not replenish themselves; Once used, they are gone forever.
NORMAL PROFIT	the minimum profit that a firm must earn in order to induce it to stay in production; At this level of profit, the opportunity costs of the entrepreneur retaining capital in the business are just covered by total revenue.
NORMATIVE ECONOMICS	study of the economy based upon value judgments about economic policies; statement of what ought to be; <b>see</b> <i>positive economics</i>
OCCUPATION	the work a person does to earn a living; also called job, trade, work, business, profession, vocation
OLIGOPOLY	an industry or a market containing only a few firms
OPEN MARKET OPERATIONS	the buying and selling of US Treasury bonds and securities in the open securities market by the Federal Reserve System in order to change bank reserves and influence the nation's money supply
OPPORTUNITY COST	(value of) the next best alternative that must be given up when a choice is made; not all alternatives, just the next best choice

OUTPUT	the product (good or service); the quantity or amount produced with a given input
PARTNERSHIP	legal organization of a business with more than one person owning/managing the business
PAYMENT	1. amount paid for use of goods or services; 2. a monthly installment paid on an account
PER CAPITA	literally means “per person”; Example: Per capita GDP is the <i>gross domestic product</i> divided by the population
PERFECT COMPETITION	a market structure characterized by <ol style="list-style-type: none"> <li>1. many buyers and sellers;</li> <li>2. a homogeneous product;</li> <li>3. the freedom of entry and exit; no barriers to entry;</li> </ol> <i>see competition</i>
PERFORMER	one who carries out an action or fulfills or discharges his duty or command; one who carries an action or task through to completion
PERSONAL INCOME	total money income received by individuals before paying personal taxes
PERSONAL INVESTMENT	the purchase of an asset (with some degree of risk) for the purpose of earning future income
POLICY	in insurance, the contract between the insurer and the insured setting forth the <i>premium</i> , what risks are covered or not covered, the procedures to establish a claim and all other terms and conditions applicable
POSITIVE ECONOMICS	the study of the economy as it exists; descriptive or predictive analysis of what is; <i>see normative economics</i>
PRE-INDUSTRIAL SOCIETY	a nation or society that has little or no industry or has a low level of technology
PREMIUM	the amount paid to purchase insurance protection
PRICE	the value of a good or service stated in money terms
PRICE CEILING	the price for a particular good or service fixed, usually by government, at some <b>maximum</b> level above which the market price is not permitted to rise; If the price

	ceiling is set below the <i>market clearing price</i> , a market <i>shortage</i> will result. Example: rent controls
PRICE FLOOR	a price for a particular good or service fixed usually by government, at some level below which the market price is not permitted to fall ( <b>minimum</b> ); If the price floor is set above the <i>market clearing price</i> , a market <i>surplus</i> will result. Example: minimum wage
PRICE INDEX	a weighted average of prices used to compare price levels in one time or place with price levels at another time or place; <b>see</b> <i>consumer price index</i>
PRICE SYSTEM	a system using the interaction of supply and demand and free markets to allocate scarce resources in providing goods and services to meet human wants
PRINCIPAL	the actual amount of money being borrowed, before interest is added
PRIME RATE	interest which banks charge their biggest and best customers
PRIVATE ENTERPRISE	business activities not controlled by government regulations
PRIVATE PROPERTY	property (things) owned by one person or a group of people (my bicycle, our house); each person having control over his/her private property and the right to receive the benefit from the use of the property unless it infringes on the rights of others—basis for <i>capitalism</i>
PRODUCERS	people who use resources to make goods and services, also called <i>workers</i> or <i>labor</i>
PRODUCT	tangible, man-made objects or services, used to satisfy the wants of the consumer; <b>see</b> <i>goods</i>
PRODUCTION	the process (act) of using resources (factors of production) to make goods
PRODUCTION COSTS	the cost of changing resources into finished products (consumer good)
PRODUCTION POSSIBILITIES FRONTIER	1. the frontier between possible outputs (given quantity and quality of resources, level of technology and efficiency) and those which are not possible;

	2. an economic model depicting all the possible combinations of two goods or services that can be produced with a given quantity of resources
PRODUCTIVE CAPACITY	ability to produce goods and services; the <b>maximum</b> potential output
PRODUCTIVITY	the ratio of output (goods and services) produced per unit of input (productive resources) over a period of time
PROFIT	the difference between the total <i>revenue</i> and total <i>cost</i> of a business; <b>see</b> <i>loss</i>
PROFIT MOTIVE	1. the incentive that leads individuals to assume the risk of loss associated with investing one's own resources in a business in the hope of achieving a greater financial reward than in any other enterprise involving the same degree of risk; 2. the guiding force of a free market system; The desire for <i>profit</i> leads investors to direct their resources to those areas of the economy where consumers place the highest value on the goods and services produced from those resources.
PROGRESSIVE TAX	a tax that increases with the income of the taxpayer; Example: Federal income tax gets higher, both as an amount and as a percentage, as income rises.
PROPERTY	1. something tangible that one owns; 2. land or real estate
PROPERTY TAX	taxes paid by households and businesses to local governments on land and buildings
PROPORTIONAL TAX	all levels of income are taxed at the same rate; also called <i>flat tax</i> ; Example: biblical tithe
PROPRIETORSHIP	a business enterprise owned solely by one person or proprietor
PUBLIC GOODS AND SERVICES	goods and services provided by the government; Examples: highways and highway maintenance
PUBLIC PROPERTY	property (things) owned together by all people for everyone's use; Examples: certain schools, parks, libraries

PURCHASE	the acquisition of ownership or title to something in exchange for payment
PURCHASING POWER	1. the relative amount of goods and services that can be purchased with the dollar as compared with some earlier period; also called the <i>value of the dollar</i> or the <i>buying power of the dollar</i> ; 2. the ability of an individual or group to purchase goods and services as measured by their income or wealth adjusted for changes in the value of the dollar
PURE MONOPOLY	a market situation in which there is only one seller of a good or service and no close substitutes for that good or service
PURE COMPETITION	<i>see competition</i>
QUALITY	the degree of excellence (of a product)
QUANTITY	the amount of a product
QUANTITY DEMANDED	<i>see demand</i>
QUANTITY SUPPLIED	<i>see supply</i>
QUOTA	a proportional share or a maximum limit: 1. in international trade, limits put on the quantities of goods in place of protective tariffs to protect domestic producers from foreign competition; Export quotas may be used to deny scarce resources to foreign producers. 2. in labor relations, restrictions placed on the hiring of people with certain racial, religious, physical or other characteristics; 3. in planned or socialist economies, performance goals set by central planners for various subunits of the economy
RATE OF RETURN	the return on an investment expressed in percentage terms
RAW MATERIAL	unprocessed natural products used in the production of final goods and services; Example: iron ore as one of the raw materials used to make automobiles
REAL ESTATE	land, improvements to land and things permanently attached to the land, such as buildings

REAL GDP	the <i>gross domestic product</i> expressed in dollars of a constant value; This calculation allows GDP of various years to be compared without the distortion of inflation or deflation.
REAL INCOME	purchasing power of money income; the quantity of goods and services that can be bought with money income; <i>see money income</i> Note: If one's money income doubles and the prices double at the same time, real income has not changed.
REAL VALUE OF MONEY	buying power
REAL VS. NOMINAL MEASUREMENT	Nominal values are measured using current market prices whereas real values are nominal values adjusted for the effects of inflation or deflation.
REAL WAGE	<i>see real income</i>
RECESSION	a contraction in the economy; a reduction in <i>real GDP</i> over at least 2 quarters of the year
REGRESSIVE TAX	a tax that takes a larger percentage of the income of low-income people than of high-income people; Example: People with low incomes pay a higher percentage of their income in sales taxes than do those with high incomes.
REGULATORY AGENCY	a government agency responsible for preparing and administering government regulations; may also be responsible for research on changing conditions in their appointed area, for suggesting new legislation, for setting standards of compliance and for determining violations and setting penalties; may be administered by either elected or appointed officials
RENEWABLE RESOURCES	natural resources that are not used up in consumption (solar energy, wind or wave power) or that reproduce themselves, wholly or in part (timber)
RENT	1. money payments for the use of a house, land or some other property or space; 2. payment to those who supply the <i>factor of production, land</i> . 3. return to a fixed factor of production

RESERVE RATIO	the percent of deposit liabilities that banks and other financial institutions must keep in reserve against transfer or withdraw; Most bank reserves must be kept in vault cash or on deposit at a Federal Reserve Bank.
RESOURCES	all natural, human and human-made aids to the production of goods and services; also called <i>productive resources</i>
RÉSUMÉ	a summary of a person's education, experience and work skills that is used when searching for a job
REPOSSESSION	the act of a creditor taking back a product purchased on credit because the buyer has defaulted on the loan
RETAIL FIRM	a store where goods are sold to the consumer
RETIREMENT	the state of being no long involved in performing one's business or profession; Usually one retires upon reaching some predetermined age, often 65 years old, or years of employment.
REVENUE	the actual cash received in a period including cash received now for future or past effort; does not include payments by non-cash means
RIGHT TO PRIVATE PROPERTY	the right of individuals to own and control their own property and to enjoy the benefits of that property; established in the Constitution of the United States of America; the basis of <i>capitalism</i>
RISK	the chance or possibility of gain or loss
RIVALRY	a situation in which two or more producers seek to gain a larger market share by providing consumers with lower prices, higher quality or a differentiated product; <b>see</b> <i>competition</i>
RULE OF 72	1. To determine how long it will take for money placed in a savings account with compound interest to double, divide the interest rate into 72. Example: \$100.00 left in a savings account at 10% interest will be worth \$200 in approximately 7.2 years. [72 divided by 10 = 7.2) 2. The same process can be used to determine how long before prices will double at a particular inflation rate.
SACRIFICE	to give up something of value often for the sake of something else

SALARY	a fixed wage paid periodically for regular work Example: My salary is \$400 per week. <i>see wage</i>
SALE	the transfer of ownership rights or title to property or goods and services
SALES TAX	taxes paid on the goods and services people buy
SAVE	the opposite of spend
SAVINGS	the portion of (after tax) income that is not spent for consumer goods or services
SAVINGS ACCOUNT	an account in a financial institution where a person deposits that part of his/her income which he or she chooses not to spend at the present time; These institutions usually pay interest on money in savings account.
SAVINGS & LOAN INSTITUTION	similar to a bank, but has as its primary function storing money in savings accounts and lending money for the purchase of homes (home mortgages)
SCARCE RESOURCES	resources (used to produce goods and services) that are short in supply, relative to unlimited human wants
SCARCITY	the condition of not being able to have all the goods and services that one wants
SCARCITY PROBLEM	Because resources are limited, relative to human wants and needs, we have to make choices. Example: Shall we use our limited supply of oil for gasoline (transportation) or for producing heat for homes and power for factories?
SEASONAL FLUCTUATIONS	regular and predictable variations in the level of some economic activity over the period of a year; also called <i>seasonal variations</i> ; Example: Youth unemployment is seasonally high during the summer.
SECURITIES	stocks and bonds collectively
SELLING PRICE	the price asked for and paid for a good or service in the market
SERVICE CHARGE	an additional cost or fee for the privilege of purchasing a good or service on credit; <i>see minimum balance</i>
SERVICES	activities that can satisfy people's wants or needs

SHERMAN ANTITRUST ACT	the federal law passed by Congress in 1890 prohibiting monopolies or conspiracies to monopolize
SHORTAGE	the situation resulting when the quantity demanded exceeds the quantity supplied of a good, service or resource
SILVER CERTIFICATE	paper currency printed and distributed by the US government the value of which was established and backed by some agreed upon quantity of silver that the government had in storage; Silver certificates are no longer issued.
SIMPLE INTEREST	interest paid only on the amount deposited in a savings account but not on the interest earned by the account; Often this interest payment is paid out to the depositor and not held in the account. <i>see compound interest</i>
SOCIAL GOODS	those goods and services that cannot be provided to one person without others benefiting; usually provided by government; <i>see public goods and services</i> Example: Streetlights, if provided for you, will also benefit your neighbors.
SOCIAL SECURITY TAX	a tax deducted from gross income for the purpose of contributing to social security benefits
SOCIAL SECURITY PROGRAM	established in 1935 by Congress; consists of two parts: 1. a tax paid by the employer and employee on a limited amount of annual wages earned in employment specified by the law to be used upon retirement or disability; 2. a benefit program for retirees, the disabled, widows, orphans, etc. that is not entirely dependent upon whether any tax was paid by the beneficiary
SOCIALISM	an economic system in which much or most of the means of production are owned and controlled by the government; The economic questions, What, How and For Whom, are answered by a central planning system.
SPECIALIZATION	1. dividing work among people so that each person does one job or task; concentrating on a job that one does well; Example: In a primitive society the slow, patient person might specialize in farming and the active, aggressive person in hunting. Not only have the two people specialized in jobs for which they are well suited, but as time goes by, they should each become

	more productive as they concentrate on that one skill (“Practice makes perfect”). <i>see division of labor</i> 2. may be geographical in nature (grow oranges in Florida and wild rice in Minnesota) requiring the exchange of products; Specialization leads to greater efficiency and productivity but also increases dependence upon others and interdependence.
SPILOVER BENEFIT	<i>see external benefit</i>
SPILOVER COST	<i>see external cost</i>
STAGFLATION	a period in which the economy is experiencing both high unemployment and high inflation
STANDARD OF LIVING	the <i>per capita</i> level of production of goods and services achieved in an economy; computed by dividing the GDP by the population
STATE GOVERNMENT	government of a state; Example: the government of the State of Florida; <i>see government</i>
STOCK	share of ownership in a corporation; Corporations sell stock to acquire funds to operate or expand the organization. The two types are common and preferred.
STOCK CERTIFICATE	a piece of paper that represents partial ownership of a corporation
STOCK MARKET	marketplace where stocks are bought and sold
STORE OF VALUE	<i>see functions of money</i>
STRIKE	action used by labor and labor unions in which workers voluntarily stop working to bring pressure on their employers to meet their demands.
SUBSIDY	1. government aid to individuals, businesses or other groups, usually dependent upon their meeting certain conditions for eligibility; 2. government payments to support some specific economic activity
SUBSISTENCE ECONOMY	one in which the standard of living is just equal to that needed to satisfy basic needs

SUBSTITUTE GOODS	goods that are substitutes for each other in satisfying human wants or needs; Example: Coca-Cola and Pepsi NOTE: Whether or not goods or services are substitutes for each other depends upon individual tastes and values. Margarine and butter are substitutes for some people, but not for everyone—certain professional chefs for example.
SUBSTITUTE RESOURCES	a resource that takes the place of another resource when the latter is unavailable or becomes too expensive
SUBSTITUTION	the act of using one good or resource in place of another to satisfy human wants or needs; may occur when the price of one good or resource rises due to scarcity
SUPPLIER	1. one who offers a supply of a good or service ( <i>producer</i> ) 2. one who offers a supply of a resource
SUPPLY	a schedule of how much producers are willing and able to produce and sell at all possible prices during some time period; the quantities of goods or services that producers are willing and able to provide at a particular time at all relevant prices; usually expressed as a <b>table</b> (called the <i>supply schedule</i> ) or as a <b>graph</b> (called the <i>supply curve</i> ) of quantities of a good or service supplied at different prices NOTE: Economists differentiate between <i>supply</i> and <i>quantity supplied</i> . Supply is based upon the cost of <i>factors of production</i> , level of <i>technology</i> and the number of <i>suppliers</i> in the market. A change in any of these will cause a shift in the supply curve, so that at each price a greater (or lesser) quantity will be supplied (than was true before). As prices change, you move along the supply curve to a greater (or lesser) quantity supplied. <i>Supply</i> is the whole curve; <i>quantity supplied</i> is one point on that curve, associated with a particular price.
SUPPLY CURVE	<i>see supply</i>
SUPPLY SCHEDULE	<i>see supply</i>
SURPLUS	the situation resulting when the quantity supplied exceeds the quantity demanded of a good, service or resource; usually occurs when, for some reason, the price is above the equilibrium price in the market

TARIFF	1. in international trade, a customs duty or tax imposed as goods enter or leave the country; 2. in transportation or shipping, the specified charge for shipping goods between stations or ports
TAX	required payments of money collected from households and businesses by the government to provide public goods or services; Examples: sales tax, income tax
TAX REVENUE	the amount of money received by government as a result of imposing taxes
TAXATION PRINCIPLES	the two main principles of taxation 1. The <i>ability to pay principle</i> states that the tax payments should be related to the individual's ability to pay. 2. The <i>benefit principle</i> states that tax payments should be related to the benefits received from government services..
TECHNOLOGY	the scientific and mechanical skill and knowledge used in producing goods and services
TECHNOLOGICAL ADVANCES	increases in technology of mechanical and scientific knowledge and skill in producing goods and services
TELLER	an employee of a bank or savings and loan whose job it is to take deposits of bank clients or to pay out when the client makes a withdrawal from his account
TIME DEPOSIT	a deposit into a savings account
TIPS	small gifts of money given in return for a service; originally, an acronym for “ <b>T</b> o <b>I</b> nure <b>P</b> romptness”
TITLE	the legal ownership of an asset
TOTAL COSTS	the sum of all relevant costs of production, implicit and explicit, including a normal profit; <b>see</b> <i>normal profit</i>
TRADE	the purchase, sale or exchange of goods and services
TRADE BARRIER	any aspect of government policy that inhibits the free exchange of goods and services between nations
TRADE-OFF	giving up one thing to get another

TRADITION DIRECTED ECONOMY	a method of coordinating economic activity that relies on generally accepted historical practices, beliefs, customs and religious traditions to guide economic choices
TRANSFER PAYMENTS	other payments to a person that are not payments for the use of a resource in production; Examples: social security, welfare payments
TRANSPORTATION	the <b>act</b> of moving goods and services from one geographic location to another
TRUTH IN LENDING LAW	a federal law that requires creditors (lenders) to tell the annual percentage rate, finance charge and deferred payments for an item purchased on credit; also called <i>Regulation Z</i>
UNEMPLOYMENT	the situation in which people are willing and able to work at current wages, but do not have jobs
UNEMPLOYMENT COMPENSATION	payments made to workers who are unemployed and who meet the requirements of the law to qualify for such payments; The requirements usually are: <ol style="list-style-type: none"> <li>1. that the worker has worked in employment that is :”covered” by the law,</li> <li>2. that the worker be willing and able to take employment offered him,</li> <li>3. that the worker did not leave his previous place of employment voluntarily,</li> <li>4. that an initial period (the “waiting period”) of unemployment has elapsed before compensation is due</li> </ol>
UNEMPLOYMENT RATE	the percent of the labor force not employed; <i>see labor force</i>
UNLIMITED WANTS	It is the nature of human wants to be unlimited in total. When basic needs for food, clothing and shelter are met, people tend to develop wants for additional goods and/or services. <i>see wants</i>
USDA	<u>United States Department of Agriculture</u> ; the federal agency concerned with regulating the quality of agriculture output

UTILITY	satisfaction; not usefulness, but the personal satisfaction one receives from consuming a good or service; Each individual is the sole judge of the utility of his own consumption. Example: You enjoy rock music; your parents enjoy Bach. Neither can understand the utility the other receives from the CDs he or she buys.
VARIABLE COSTS	costs that change as the output of the business or firm change; Example: labor costs (wages), raw material costs, energy costs
VALUE	worth; as measured by: <ol style="list-style-type: none"> <li>1. usefulness (ability to satisfy wants);</li> <li>2. money or other commodities that a good or service can command in exchange</li> </ol>
VENTURE	a business undertaking involving a chance or risk
WAGES	<ol style="list-style-type: none"> <li>1. payment made to those who supply the <i>factor of production, labor</i>;</li> <li>2. payment in exchange for the time, energy and/or skill of the labor force</li> </ol> <i>see salary</i>
WANTS	<p>desires felt by consumers for goods and services; Wants are unlimited; that is, they include basic needs (for food, clothing and shelter) and desires that are above and beyond basic needs. <i>see needs</i></p> <p>Example: I am hungry. A carrot would meet a need; a steak would satisfy a want.</p>
WARRANTY	<ol style="list-style-type: none"> <li>1. an undertaking by one party that certain facts are true; may be either expressed or implied; most commonly occurs in a sale or in insurance.</li> <li>2. a pledge that the producer will stand behind the quality, dependability and usability of a product for a specified period of time</li> </ol>
WEALTH	anything that a person owns that has value and is capable of producing income; Example: Wealth can be stored in the form of money, art, land, baseball cards, etc. It need not produce income, but must be capable of producing income if sold or rented.
WELFARE	<p>payment received by needy individuals from the government due to being poor, out of work, etc.;</p> <p><i>see transfer payments</i></p>

WHITE-COLLAR WORKER	person who works in an office or store as compared to a <i>blue-collar worker</i> -- an employee who performs manual labor, such as in a factory
WHOLESALE	a firm that buys large quantities of a product from the producer and sells small quantities to a number of retail firms
WITHDRAWAL	the <b>act</b> of taking money out of a bank <b>or</b> the sum of money taken out of a bank at one time
WITHHOLDING TAX	a tax deducted from gross income for the purpose of paying federal income tax benefits as a person earns income
WORK	1. a means of earning a living, 2. the use of energy or skill in doing or making something
WORKER PRODUCTIVITY	the ratio of goods or services produced to the amount of labor (workers) used in the production
YIELD	in the case of corporate stock, the ratio of <i>dividends</i> per share, in dollars, to purchase price per share, in dollars