

Primary Glossary

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| ABUNDANT RESOURCES | those resources that are in relatively large supply; see <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 |
| ALTERNATIVE COST | see <i>opportunity cost</i> |
| ALTERNATIVES | choices |
| ANNUAL PERCENTAGE RATE (APR) | the interest rate or the cost of credit for one year |
| 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; see <i>specialization</i> |
| ATM | <u>A</u> utomatic <u>T</u> eller <u>M</u> 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 |

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| 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 |
| BUDGET | a plan for the use of time, money or resources |
| 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 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 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> |

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| CASH | coins, currency, or the equivalent (example: money orders, personal checks, cashier's checks); The CASH PRICE is the full price one pays for a good or service if one pays with cash; see <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 an economic choice |
| CIRCULAR FLOW | a model of an economy showing the interactions between households and business firms as they exchange goods and services and resources in markets |
| 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 |
| COMMISSION | a sum or percentage paid to an agent for his or her services |
| COMPARE | to examine for similarities and differences |
| 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; see <i>rivalry</i> |
| COMPETITIVE MARKET | a market in which there are many buyers and sellers, no barriers to entry and a homogeneous product |
| COMPOUND INTEREST | interest paid upon money deposited in an account and also on all the interest already earned by the deposit; see <i>simple interest</i> |
| CONSERVATION | the wise use of natural resources |

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| 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 SERVICES | productive acts of labor that do not result in tangible products, but do satisfy consumer wants and/or needs |
| 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">1. the price of a good or service; the money cost;2. the value of goods and services that are given up in order to purchase or produce a particular good or service (opportunity cost);3. the value of goods and services used to produce an output (cost of production) |
| COST OF PRODUCTION | all resources used in producing goods and services, for which owners receive payment |
| 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 |

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| 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 |
| 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 your bank account |
| 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; see <i>credit price</i> |
| DEMAND | 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 called a <i>demand schedule</i> or as a graph called a <i>demand curve</i> of quantities of a good or service demanded at different prices 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. If price changes, the move along the curve is toward a greater or lesser quantity demanded. 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. |

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| 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 |
| DEMOGRAPHICS | statistical characteristics of populations such as age, income, gender, etc. |
| DEPOSIT | the act of putting money into an account in bank or other financial institution or the sum of money put into a bank or other financial institution at one time |
| DEPRECIATION | the yearly (annual) decline in the value of something |
| 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 |
| 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 |
| DISTRIBUTOR | one who is involved in the process of distribution of goods and services from producer to consumer; see <i>distribution</i> |
| 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; see <i>specialization</i> |
| 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 SYSTEMS | the way a society organizes the production, consumption and distribution of goods and services |

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| 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 |
| 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 market clearing price at which the quantity demanded by buyers equals the quantity supplied by sellers |
| 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> |
| EXPORT | selling our country's products to other nations |
| 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 | F ederal D eposit I nsurance C orporation – the federal government agency that insures bank depositors' accounts |

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| FICA | F ederal I nsurance C ontributions A 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 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 |
| FTC | F ederal T rade C 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 |
| 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> |
| 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 GOOD | <ol style="list-style-type: none"> 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 <p>A good is a <i>free good</i> because it is not scarce, relative to the demand for it. (continued on next page)</p> |

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.

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| FUNCTIONS OF MONEY | <p>the uses of money —</p> <ol style="list-style-type: none"> 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 way to store |
| FUTURE CONSUMPTION | <p>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</p> |
| GOODS | <p>objects that can be held or touched that can satisfy people's wants; <i>see product</i></p> |
| GOVERNMENT | <ol style="list-style-type: none"> 1. the form or system of rule by which a nation, state or city is governed; 2. the group of persons whose job it is to run the affairs of the state, nation, etc. <p>Government usually exists at 3 levels: federal, state and local; each will typically perform a different function.</p> |
| GOVERNMENT INCOME | <p>net taxes (taxes minus transfer payments such as social security and veterans' benefits)</p> |
| GROSS INCOME | <p>the amount of money earned in a pay period before any taxes and other payroll deductions have been subtracted</p> |
| 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 RESOURCES | <p>the quantity and quality of human effort directed toward producing goods and services, also called <i>labor</i></p> |
| IMPORT | <p>buying products from other countries</p> |
| IMPORT SUBSTITUTION | <p>producing goods in our country to replace goods being imported from other countries</p> |

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| 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"> 1. money received by households in return for the use of the resources that they (households) own; 2. money earned by the factors of production in the form of wages, rent, interest and profit |
| INCOME TAX | taxes paid to the government (federal, state and/or local) by households and business firms on the income they receive |
| 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 |
| 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 | <p>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</p> <p>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.</p> |

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| 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> |
| 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. |
| INVENTORY | a supply of a product or products that a business has “on hand” |
| 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 |
| 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 |
| LIMITED RESOURCES | see <i>scarce resources</i> |
| LIQUIDITY | ability to convert an asset into cash easily and quickly |
| LOSS | negative difference between cost and sale price; see <i>profit</i> |
| MANAGEMENT | 1. the process of organizing and utilizing resources to produce goods and 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; see <i>entrepreneurship</i> |

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| MARKET | a specified category of potential buyers; any setting where buyers and sellers exchange goods, services, resources and currencies |
| MARKET ECONOMY | an economic system in which most goods and services are exchanged through private transactions by private household and businesses; Buyers and sellers making exchanges in private markets determine prices. |
| 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 What? , How? and For Whom? 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 |
| MONEY | a medium of exchange; a good that can be used to buy other goods and services or to repay debts |
| MONEY INCOME | the dollar amount of income; <i>see real income</i> |
| 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) |
| 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. (continued on next page) |

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| | 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> ; see <i>factors of production</i> EXAMPLE: coal, water, timber |
| NEEDS | desires felt by consumers for basic necessities of life—food, clothing and shelter; see <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 |
| NON-DURABLE GOODS | goods that have a short useful life—socks, light bulbs, etc.—or satisfy consumer wants 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. |
| 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 |
| PERFECT COMPETITION | a market structure characterized by <ol style="list-style-type: none"> 1. many buyers and sellers; 2. homogeneous product; 3. freedom of entry and exit; no barriers to entry; see <i>competition</i> |
| PERFORMER | one who carries out an action or fulfills or discharges his duty or command; one who carries an action through to completion |
| PRICE | the value of a good or service stated in money terms |

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| PRINCIPAL | the actual amount of money being borrowed, before interest is added |
| 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; see <i>goods</i> |
| PRODUCTION | the process of using resources (factors of production) to make goods |
| PRODUCTIVE CAPACITY | ability to produce goods and services; the maximum 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 revenue and total cost of a business; see <i>loss</i> |
| PROGRESSIVE TAX | a tax that increases with the income of the taxpayer; EXAMPLE: Federal income tax get 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 |
| PUBLIC GOODS AND SERVICES | goods and services provided by the government; for example highways and highway maintenance |
| QUALITY | the degree of excellence (of a product) |
| QUANTITY | the amount of a product |
| QUANTITY DEMANDED | see <i>demand</i> |
| QUANTITY SUPPLIED | see <i>supply</i> |

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| RAW MATERIAL | unprocessed natural products used in the production of final goods and services; EXAMPLE: Iron ore is one of the raw materials used to make automobiles. |
| 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 WAGE | <i>see real income</i> |
| REGRESSIVE TAX | a tax that falls more heavily on persons with low incomes. EXAMPLE: People with low incomes pay a high percentage of that income in sales taxes than do those with high incomes. |
| 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; 2. payment to those who supply the <i>factor of production, land</i> . 3. return to a fixed factor of production |
| RESOURCES | all natural, human and human-made aids to the production of goods and services; also called productive resources |
| 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 |
| RETIREMENT | the state of being no longer involved in performing one's business or profession; Usually one retires because one has reached some predetermined age, often 65 years old. |
| RIGHT TO PRIVATE PROPERTY | the right of individuals to own and control their own property and enjoy the benefits of that property; established in the Constitution of the United States of America. This right is the basis of <i>capitalism</i> . |

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| 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; <i>see competition</i> |
| 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 \$100 per week. <i>see wages</i> |
| 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; Banks 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? |
| 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 |

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| 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. |
| 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 |
| 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. |
| STORE OF VALUE | <i>see functions of money</i> |
| SUBSTITUTE GOODS | goods that are substitutes for each other in satisfying human wants. 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 |

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| SUBSTITUTION | the act of using one good or resource in place of another to satisfy human wants and/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 (a producer); 2. one who offers a supply of a resource |
| SUPPLY | <p>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 table (called the supply schedule) or as a graph (called the supply curve) of quantities of a good or service supplied at different prices</p> <p>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.</p> |
| 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 |
| TAX | <p>required payments of money collected from households and businesses by government to provide public goods or services</p> <p>EXAMPLE: sales tax, income tax</p> |
| TAX REVENUE | the amount of money received by government as a result of imposing taxes |
| TECHNOLOGY | the scientific and mechanical skill and knowledge used in producing goods and services |

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| 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 “ T o I nure P romptness.” |
| TITLE | the legal ownership of an asset |
| TRADE | the purchase, sale or exchange of goods and services; see <i>barter</i> and <i>exchange</i> |
| TRADE-OFF | giving up one thing to get another |
| TRANSFER PAYMENTS | payments to a person that are not payments for the use of a resource in production EXAMPLE: social security, welfare payments |
| TRANSPORTATION | the act of moving goods and services from one geographic location to another |
| TRUTH IN LENDING LAW | a federal law that requires creditors to tell the annual percentage rate, finance charge and deferred payments for an item purchased on credit |
| UNEMPLOYMENT | the situation in which people are willing and able to work at current wages, but do not have jobs |
| UNLIMITED WANTS | It is the nature of human wants (see <i>wants</i>) to be unlimited in total. When basic needs for food, clothing and shelter are met, people tend to develop wants for additional goods or services. |
| VALUE | worth; as measured by: 1. usefulness (ability to satisfy wants); 2. money or other commodities that a good or service can command in exchange |
| VENTURE | a business undertaking involving a chance or risk |
| WAGES | 1. payment made to those who supply the <i>factor of production</i> , labor ; 2. payment in exchange for the time, energy and/or skill of the labor force see <i>salary</i> |

WANTS

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. *see needs*
EXAMPLE: I am hungry. A carrot would meet a need; a steak would satisfy a want.

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.

WITHDRAWAL

the **act** of taking money out of a bank **or** 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