**Account**

A record of money deposited or withdrawn from a bank.

**Allocative Efficiency**

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

**Alternative**

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

**Asset**

Something of value owned by an individual or an organization.

**Assumptions**

Beliefs or statements presupposed to be true.

**Bank**

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

**Banking**

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

**Barter**

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

**Benefit**

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

**Business**

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

**Capital Resources**

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

**Choice**

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

**Consumers**

People who buy and/or use goods and services.

**Consumption**

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

**Costs**

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

**Costs/Benefits**

The bad and good points related to making a decision.

**Credit**

Promise of payment at a future time in return for goods/services now.

**Currency**

The money in circulation in any country.

**Debt**

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

**Decision**

A conclusion reached after considering alternatives and their results.

**Decision Making**

Reaching a conclusion after considering alternatives and their results.

**Division of Labor**

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

**Earn**

To receive money for doing work.

**Economic Development**

The way a society organizes the production, consumption and distribution of goods and services.

**Economics**

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

**Employment**

An occupation by which a person earns a living.

**Entrepreneur**

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

**Entrepreneurship**

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

**Exchange Rate**

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

**Expenses**

Payments for goods and services.

**Exports**

Goods and services produced in one nation and sold in other nations.

**Free Trade**

The voluntary exchange of goods and services in the absence of trade barriers and restrictions.

**Globalization**

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

**Goal**

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

**Goods**

Things that can satisfy people’s wants.

**Human Capital**

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

**Human Resources**

Workers who make goods and provide services.

**Imports**

Goods and services bought from sellers in another nation.

**Incentive**

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

**Income**

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

**Innovation**

A new idea or method.

**Interdependence**

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

**Interdependent**

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

**Interest**

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

**Interest Rate**

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

**Job**

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

**Labor**

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

**Labor Force**

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

**Labor Market**

The labor supply and labor demand curves.

**Land**

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

**Legal and Social Framework**

The system of laws, institutions, traditions and customs, and incentives that forms the basis of a society and its economy.

**Lender**

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

**Market Economy**

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

**Markets**

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

**Money (Definition of)**

A good used to buy other goods and services.

**Monopolies**

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

**Natural Resources**

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

**Needs**

Things you must have to live.

**Nonprofit Organization**

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

**Occupation**

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

**Opportunity Cost**

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

**Outsourcing**

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

**Physical Capital**

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

**Poverty**

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

**Price**

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

**Producers**

People and firms that use resources to make goods and services.

**Product**

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

**Production**

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

**Productive Resources**

Natural resources, human resources, capital resources and entrepreneurship used to make goods and services.

**Productivity**

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

**Profit**

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

**Property Rights**

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

**Public Goods**

Goods and services that are provided by the government.

**Recession**

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

**Resources**

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

**Revenue**

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

**Salary**

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

**Sale**

An exchange of goods or services for money.

**Sales Revenue**

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

**Sales Tax**

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

**Save**

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

**Savers**

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

**Savings**

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

**Scarcity**

When there is not enough for all who want it.

**Services**

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

**Specialization**

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

**Spend**

Use money now to buy goods and services.

**Standard of Living**

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

**Taxes**

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

**Trade**

The exchange of goods and services for money or other goods and services.

**Trade Barriers**

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

**Trade-off**

When you choose to get less of one thing in order to get more of something else.

**Tragedy of the Commons**

Overuse or misuse of a commonly-owned resource, such as public grazing land or fishing waters.

**Unemployment**

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

**Unemployment Rate**

The number of unemployed people, expressed as a percentage of the labor force.

**Wage**

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

**Wants**

Things people like and desire.

**Work**

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

**World Bank**

An international organization that makes loans and provides technical expertise to developing nations.

**World Trade Organization (WTO)**

A trade agreement among over 100 nations that specifies the level of tariffs among the signatories and attempts to resolve trade disputes.