

## GLOSSARY OF CORE CONCEPT CARDS FOR SECONDARY STUDENTS

**ASSET:** Something of monetary value owned by an individual or organization.

**BOND:** A certificate of indebtedness issued by a government or publicly held corporation, promising to repay borrowed money at a fixed rate of interest and at a specified time.

**BUDGET DEFICIT:** Referring to national budgets, it occurs when government spending is greater than government income in a given year.

**BUSINESS CYCLE:** A period during which production or economic activity expands, then contracts for several quarters or more, and then expands again; usually measured by real gross domestic product (GDP).

**CENTRAL BANKING SYSTEM:** A nation's central bank that is established to regulate the money supply and oversee the nation's banks. The Federal Reserve is the central bank of the United States.

**COLLATERAL:** Something of value (often a house or car) pledged by a borrower as security for a loan. If the borrower fails to make payments on the loan, the collateral may be sold by the lender to pay the debt.

**COMMAND ECONOMY:** An economy in which most economic issues of production and distribution are resolved through central planning and control.

**COMPARATIVE ADVANTAGE:** The ability of a producer or a country to produce a good or service at a lower opportunity cost than some other producer or country.

**COMPOUND INTEREST:** Interest that is earned not only on the original sum but also on the interest accumulated.

**CONSUMER PRICE INDEX:** A price index that measures the cost of a fixed basket of consumer goods and services and compares the cost of this basket in one time period with its cost in some base period.

**CREDIT REPORT:** A report about a person's credit history, including his or her ability and willingness to repay debts, based on how reliably he or she has repaid debts in the past.

**DEFLATION:** A sustained period of decrease in the average price level of all goods and services produced in the economy.

**DISCOUNT RATE:** The percentage rate used to calculate the present value of an investment. The "required discount rate" is the rate of return required by the investor.

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**DIVIDEND:** A share of the company's net profits paid to stockholders.

**ECONOMIC GROWTH:** The percentage increase in real output as measured by real GDP or per capita real GDP.

**ECONOMIC WAY OF THINKING:** A reasoning process that involves considering opportunity costs as well as benefits in making decisions.

**EQUILIBRIUM PRICE:** The price at which the quantity demanded by buyers equals the quantity supplied by sellers.

**FACTORS OF PRODUCTION:** Productive resources required to produce the goods and services that people want, such as natural resources, human resources, capital goods and entrepreneurship.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A federal agency that regulates banks and guarantees depositors' savings up to \$250,000 per account in most commercial banks, savings banks and savings associations.

**FEDERAL RESERVE DISCOUNT RATE:** The interest rate the Federal Reserve charges commercial banks for loans.

**FISCAL POLICY:** Decisions about spending and taxation levels by the federal government made to promote full employment and output or reduce inflation.

**GROSS DOMESTIC PRODUCT:** The market value of all final goods and services produced in a country in a calendar year.

**HUMAN CAPITAL:** A person's health, education, experience, training, skills and values.

**INCOME TAX:** Payment made by individuals and corporations to the federal government (and to some state and local governments) based on earned and unearned income received.

**INFLATION:** A rise in the general or average price level of the goods and services produced in an economy.

**INSURANCE:** An arrangement whereby a company provides a guarantee of compensation for specified forms of loss, damage, injury or death. People pay premiums to buy insurance policies.

**LABOR FORCE:** The people in a nation who are 16 or over and are employed or actively looking for work.

**LIABILITY:** Responsibility for a debt or payment.

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**MARKET ECONOMY:** An economy that relies on a system of interdependent market prices to allocate goods, services, and productive resources and to coordinate the diverse plans of consumers and producers.

**MONETARY POLICY:** Changes in the supply of money and the availability of credit initiated by a nation's central bank to promote price stability, full employment and reasonable rates of economic growth.

**MONEY SUPPLY:** Currency in the hands of the public plus the public's demand deposits at financial institutions.

**NATIONAL DEBT:** The total amount owed by the national government to those from whom it has borrowed to finance the accumulated difference between annual budget deficits and annual budget surpluses.

**NET WORTH:** The current value of a person's assets minus liabilities.

**OPEN MARKET OPERATIONS:** The buying and selling of government bonds by the Federal Reserve which affects interest rates, bank reserves and the money supply.

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

**RATE OF RETURN:** Earnings from an investment, stated as a percentage of the amount invested.

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

**RESERVE REQUIREMENTS:** The fraction of a bank's deposits that it is required by law to keep on hand or with the Federal Reserve.

**REVENUE:** The money a business receives from customers who buy its goods and services.

**STOCK:** An ownership share or shares of ownership in a corporation.

**STOCK MARKET:** A market in which the public trades stock that someone already owns.

**TARIFF:** A tax on an imported good or service.

**TIME VALUE OF MONEY:** The idea that a dollar received in the future has less value than a dollar received today because a dollar received today can earn interest over time.

**TRADITIONAL ECONOMY:** An economy in which customs and habits from the past are used to resolve most economic issues of production and distribution.

