

# 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.



# 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.



# FDIC

Federal Deposit Insurance Corporation; 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.



# 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 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.



# Market Economy

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 they are 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.



**Word Bank:**

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decisions.

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