

Basic Glossary of Economic Terms – Grades K-12

from

Council for Economic Education

<http://ushistory.councilforeconed.org/glossary.php>

-Following the National Standards Benchmarks-

http://www.educationworld.com/standards/national/soc_sci/index.shtml

Choice

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

Wants

Desires that can be satisfied by consuming or using a good or service. Economists do not differentiate between wants and needs.

Consequence

A result or effect of an action or decision; may be positive or negative.

Goods

Tangible objects that satisfy economic wants.

Services

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

Trade

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

Scarcity

The condition that exists because human wants exceed the capacity of available resources to satisfy those wants; also a situation in which a resource has more than one valuable use. The problem of scarcity faces all individuals and organizations, including firms and government agencies.

Resources

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

Productive Resources

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

Capital Resources

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

Human Resources

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

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.

Trade-off

The giving up of one benefit or advantage in order to gain another regarded as more favorable.

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.

Production

The act, process or result of manufacturing or refining something.

Producers

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

Consumers

People who use goods and services to satisfy their personal needs and not for resale or in the production of other goods and services.

Money

Anything that is generally accepted as final payment for goods and services; serves as a medium of exchange, a store of value and a standard of value. Characteristics of money are portability, stability in value, uniformity, durability and acceptance.

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.

Incentive

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

Gains from Trade

The increased output resulting from trade; with trade, each individual, region or nation is able to concentrate on producing goods and services that it produces efficiently, while trading to obtain goods and services that it does not produce.

Competition

Attempts by two or more individuals or organizations to acquire the same goods, services, or productive and financial resources. Consumers compete with other consumers for goods and services. Producers compete with other producers for sales to consumers.

Specialization

A situation in which people produce a narrower range of goods and services than they consume. Specialization increases productivity; it also requires trade and increases interdependence.

Markets

Places, institutions or technological arrangements where or by means of which goods or services are exchanged. Also, the set of all sale and purchase transactions that affect the price of some good or service.

Market Price Risk

The chance that the value of an investment will go down because of a change in supply and demand.

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.

Profit

Income received for entrepreneurial skills and risk taking, calculated by subtracting all of a firm's explicit and implicit costs from its total revenues.

Role of Government

Government activity in establishing a framework or rules of the game in economic life. In the United States, this activity involves preserving and fostering competition, regulating natural monopolies, providing information and services to enable the market to work better, regulating externalities, providing certain public goods, offering some economic security and income redistribution to individuals, assuring a sound monetary system and promoting overall economic stability and growth.

Marginal Benefit

The additional gain from consuming or producing one more unit of a good or service; can be measured in dollars or satisfaction.

Marginal Cost

The increase in a producer's total cost when it increases its output by one unit.

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.

Interest Rate Risk

The chance that interest rates may change (upward) while the saver is "locked in" to a (lower) rate for a time deposit (a CD, for example) or a bond.

Income

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

Income Effect

A portion of the effect on quantity demanded caused by a change in the price of a good or service. A fall in price, for example, increases a consumer's real income and leads to a change in the quantity demanded of that good or service.