

---

---

# Glossary of Terms

---

**Alternatives:** options among which people can make a choice

**Barter:** direct exchange of goods or services among people without the use of money

**Benefits of trade:** increase in well-being after the voluntary exchange of goods and services

**Budgeting:** making a plan for managing income, spending and saving

**Capital goods (resources):** goods people produce and use to make other goods and services

**Choice:** a decision made among alternatives

**Complementary goods and services:** goods or services people typically consume together

**Consumers:** people whose wants are satisfied by using goods and services

**Costs of production:** the costs of all the resources a business uses in producing goods or services

**Criteria:** standards or measures of value that people use to evaluate something

**Decision making:** a process of choosing among alternatives

**Demand:** the schedule of the quantity of a good or service that people are willing and able to buy at different prices during a given time period, when income and prices of other items remain the same

**Division of labor:** jobs are divided among the workers so that each worker specializes in one part of the production process

**Economic benefits:** improvements in well-being associated with any economic action, good or service; for example, the increase in

satisfaction from consuming something

**Economic wants:** desires that people can satisfy by consuming a good or service

**Entrepreneurs:** people who take risks to develop new products and services and start new businesses. Profit is income for entrepreneurs and is an incentive that encourages them to risk their money and resources.

**Exchange rate:** the price of one country's currency in terms of another country's currency

**Goods:** objects that can satisfy people's economic wants

**Human capital:** the skills, education and talent a person possesses

**Human resources:** the quantity and quality of human effort directed toward producing goods or services

**Interest:** the amount that a borrower of money must pay to the lender for the use of the lender's money

**Interest rate:** the percentage that a borrower must pay of the money loaned in return for the use of the money, usually expressed over a period of one year

**Intermediate goods:** materials that are used up in production and become part of the final good

**Investment in capital:** purchasing capital goods (equipment and buildings) that can assist people in producing goods and services

**Law of demand:** people are willing and able to buy a lower quantity of a good or service at a higher price and a higher quantity of a good or service at a lower price, when income and prices of other items remain the same.

## GLOSSARY OF TERMS

---

**Medium of exchange:** a good that people generally accept in exchange for other goods or services

**Money:** anything widely accepted as final payment for goods and services (a medium of exchange)

**Natural resources:** “gifts of nature” that are present without human intervention

**Opportunity cost:** the next best alternative people give up when they make a decision

**Productive resources:** natural resources, human resources and capital goods available to make goods and services

**Productivity:** a measure of output compared to inputs during some time period

**Profit and loss:** difference between the total revenue a business receives and the total costs it pays for resources. If this number is positive, it is called profit; and if it is negative, it is called loss.

**Revenue:** total amount a business receives for selling a product or service

**Savings:** income people have not spent on consumption or taxes

**Services:** actions that can satisfy people’s economic wants

**Specialization:** each worker focuses on one part of the production process

**Trade/Exchange:** voluntarily trading goods and services with people for other goods and services or for money