Glossary of Terms

Balanced budget – Government revenues equal expenditures on an annual basis. *(Lesson 5)*

Bank failure – When a bank's liabilities (mainly deposits) exceed the value of its assets. *(Lesson 3)*

Bank panic – When a bank run begins at one bank and spreads to others, causing people to lose confidence in banks. *(Lesson 3)*

Bank reserves – The sum of cash that banks hold in their vaults and the deposits they maintain with Federal Reserve banks. *(Lesson 3)*

Bank run – When many depositors rush to the bank to withdraw their money at the same time. *(Lesson 3)*

Bank suspensions – Comprises all banks closed to the public, either temporarily or permanently, by supervisory authorities or by the banks' boards of directors because of financial difficulties. Banks that close under a special holiday declaration and remained closed only during the designated holiday are not counted as suspensions. *(Lesson 4)*

Banks – Businesses that accept deposits and make loans. *(Lesson 2)*

Budget deficit – When government expenditures exceed revenues. *(Lesson 4)*

Budget surplus – When government revenues exceed expenditures. *(Lesson 4)*

Consumer confidence – The relationship between how consumers feel about the economy and their spending and saving decisions. *(Lesson 5)*

Consumer Price Index (CPI) – A measure of the prices paid by urban consumers for a market basket of consumer goods and services. *(Lesson 1)*

Deflation – A general downward movement of prices for goods and services in an economy. *(Lessons 1, 3 and 6)*

Depression – A very severe recession; a period of severely declining economic activity spread across the economy (not limited to particular sectors or regions) normally visible in a decline in real GDP, real income, employment, industrial production, wholesale-retail credit and the loss of overall confidence in the economy. *(Lessons 1, 3 and 4)*

Federal Reserve System – The central bank of the United States. *(Lesson 6)*

Fiscal policy – The spending and taxing policies used by the federal government to influence the economy. *(Lesson 4)*

Fractional reserve banking system – A banking system in which the amount of reserves that banks hold is less than the value of their customers' deposits. *(Lesson 3)*

Gross Domestic Product (GDP) – The market value of all final goods and services produced within an economy during a year. *(Lessons 1 and 5)*

Income – Earnings received as interest, rent, profit and wages or salaries. *(Lesson 3)*

Inflation – A general, sustained upward movement of prices for goods and services in an economy. *(Lessons 1 and 6)*

Liquidity – The quality that makes an asset easily convertible into cash with relatively little loss of value in the conversion process. *(Lesson 6)*

Monetary policy – Central bank actions involving the use of interest rate or money supply tools to achieve such goals as maximum employment, stable prices and moderate long-term interest rates. *(Lesson 6)*

Money supply (stock) – The quantity of money available in an economy. The basic money supply in the United States consists of currency, coins and checking account (i.e., demand) deposits. *(Lessons 2, 3, 4, 5 and 6)*

National debt – The total amount of outstanding government securities held by the public; the financial obligations of a national government resulting from deficit spending, also called public debt. *(Lessons 4 and 5)*

National income – The amount earned by resource suppliers for their contributions to the GDP. It can be calculated by adding the sum of the total of employee compensation (wages and salaries), rental income, interest income and profit. *(Lesson 5)*

Nominal Gross Domestic Product (GDP) – The market value of all final goods and services produced within an economy during a year, expressed in terms of the prices existing at the time the output is produced. *(Lessons 1 and 5)*

Open market operations – A tool the Federal Reserve uses to implement monetary policy. Open market operations involve the selling or buying of Treasury securities on the open market. *(Lesson 6)*

Per capita personal income – The average annual income per person. *(Lesson 5)*

Personal income – Income received by people from all sources, including wages and salaries, rental income, profit, transfer payments and interest income. *(Lesson 5)*

Portfolio – A list or collection of financial assets that an individual or company holds. *(Lesson 3)*

Price stability – The absence of inflation and the absence of deflation. *(Lesson 6)*

Real Gross Domestic Product (GDP) – The market value of all final goods and services produced within an economy during a year valued at constant prices (i.e., adjusted for inflation or deflation). *(Lessons 1, 4 and 5)*

Smoot-Hawley tariff – A tax on imported goods. The Smoot-Hawley Tariff Act of June 1930 raised U.S. tariffs to historically high levels. *(Lessons 2 and 3)*

Unemployment – The number of people 16 years of age and older who are without jobs and actively seeking work. *(Lesson 5)*

Unemployment rate – The percentage of the labor force that is willing and able to work, does not currently have a job and is actively looking for employment. *(Lessons 1, 3, 4 and 5)*