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Take It to the NET

*For daily updates on economic issues and personal finance matters, please visit the *Economics: Principles in Action* site in the Social Studies area at www.phschool.com



Keep It Current

Items marked with this logo are periodically updated on the Internet. Keep up-to-date with what's in the news. For periodic updates of the data included in the Databank, go to www.phschool.com

Creating a Budget

A tiny drip from your bathtub faucet can send thousands of gallons of water down the drain each year. Your money can dribble away, too.

An \$8 pizza, a \$12 pair of sunglasses, \$20 at the movies—they don't seem like much at the time. But a lifetime pattern of careless spending can be painful, even ruinous. Money problems can cause stress, wreck personal relationships, and trap people in jobs they don't like just so they can pay their bills. What a way to live your life!

Start a better way. Budget your money.

Calculate Income Versus Spending

Budgeting begins simply with writing how much money you receive and how much you spend. Try these steps:

Four Steps to Successful Budgeting

- 1** Make a list of your earnings like the one below right. Then calculate your total monthly income.
- 2** For one month, keep a record of everything you spend money on, from car payments to candy bars. You can jot down each purchase on a scrap of paper, and toss all the scraps in a shoebox. Or carry a small notebook to list items and amounts.
- 3** At the end of the month, organize the records of your purchases into categories such as food, clothing, entertainment, car payments, and so on. Find the total for each category.
- 4** On a sheet of paper or on a computer spreadsheet, make a list similar to the one on the next page. Fill in the expenditures and the amounts. Then calculate your total monthly spending.

This record of your income and spending can be very revealing. Do you have a little money left over at the end of the month? Or do you spend more than you earn? Experts recommend that you put about 10 percent of your income into savings. If you have very little left over—or worse, if you spend more than you earn—it's time to create a budget.

Living Within Your Budget

Look at your expenditures and find areas in which you can cut spending. For instance, buy a frozen pizza from the grocery store instead of ordering take-out. Get together at friends' houses instead of at the mall. Shop end-of-season clothing sales. And be careful with automatic teller machines! ATMs make it too easy to drain your bank account.

Fill in the first two columns of a chart like the one on the next page. Then in the third column, enter the reduced amounts you think you can spend. Keep cutting until you can reserve 10 percent of your earnings as savings. This is your new **budget**, a plan for saving and spending.

If you have a difficult time staying within your budget, enlist a friend or family member to review your expenditures each week to help keep you on track. Distinguish between “needs” and “wants.” Try not to rationalize impulse buying. After all, you'll only be kidding yourself.

My Earnings

SOURCE	MONTHLY INCOME
Restaurant job	\$392
Computer tutoring	\$68
Baby-sitting	\$20
TOTAL	\$480



My Spending and Saving Plan

MONTHLY EXPENDITURE	CURRENT EXPENSES	BUDGET
Car		
Payment	\$120	\$120
Insurance	\$42	\$42
Gasoline	\$27	\$14
Maintenance (estimated)	\$30	\$30
Food		
Lunches at school	\$58	\$35
Snacks	\$34	\$20
Movies		
Theater	\$28	\$7
Rentals	\$4	\$8
Clothes		
Shoes	\$16	\$7
Other clothes	\$39	\$25
Savings for school trip	\$50	\$50
Magazine subscription	\$5	\$0
CDs	\$24	\$12
Gifts	\$0	\$35
Savings	\$0	\$48
Emergencies	\$0	\$27
TOTALS	\$477	\$480

Costs such as car payments are fixed.

Bike or carpool instead of driving. Savings: one tank of gas a month.

Cut out chips at lunch. Savings: \$23 a month! (It's healthier, too.) Even better: Pack a lunch.

Items such as new clothes are optional expenses. Wear last year's shirt for one more season.

Borrow magazines from friends or the library. Savings: \$5 a month

By cutting expenses, you can set aside money for savings, holiday gifts, and emergency needs.

Check Your Understanding

- Key Terms** Why is it important to create a **budget**?
- Review** Reread the suggested ways for saving money, and brainstorm others to add to the list.

Before banks dotted every streetcorner in America, some people stuffed their money under the mattress for safekeeping. It wasn't very safe.

Choosing a Bank

Opening a checking account is fairly easy. First you'll need some kind of identification, such as a driver's license or a pay stub. You'll also need a Social Security number. (If you don't yet have a Social Security number, you can apply on-line at the Web site of the Social Security Administration.) Finally, you'll need at least a small sum of money to deposit when you open your account.

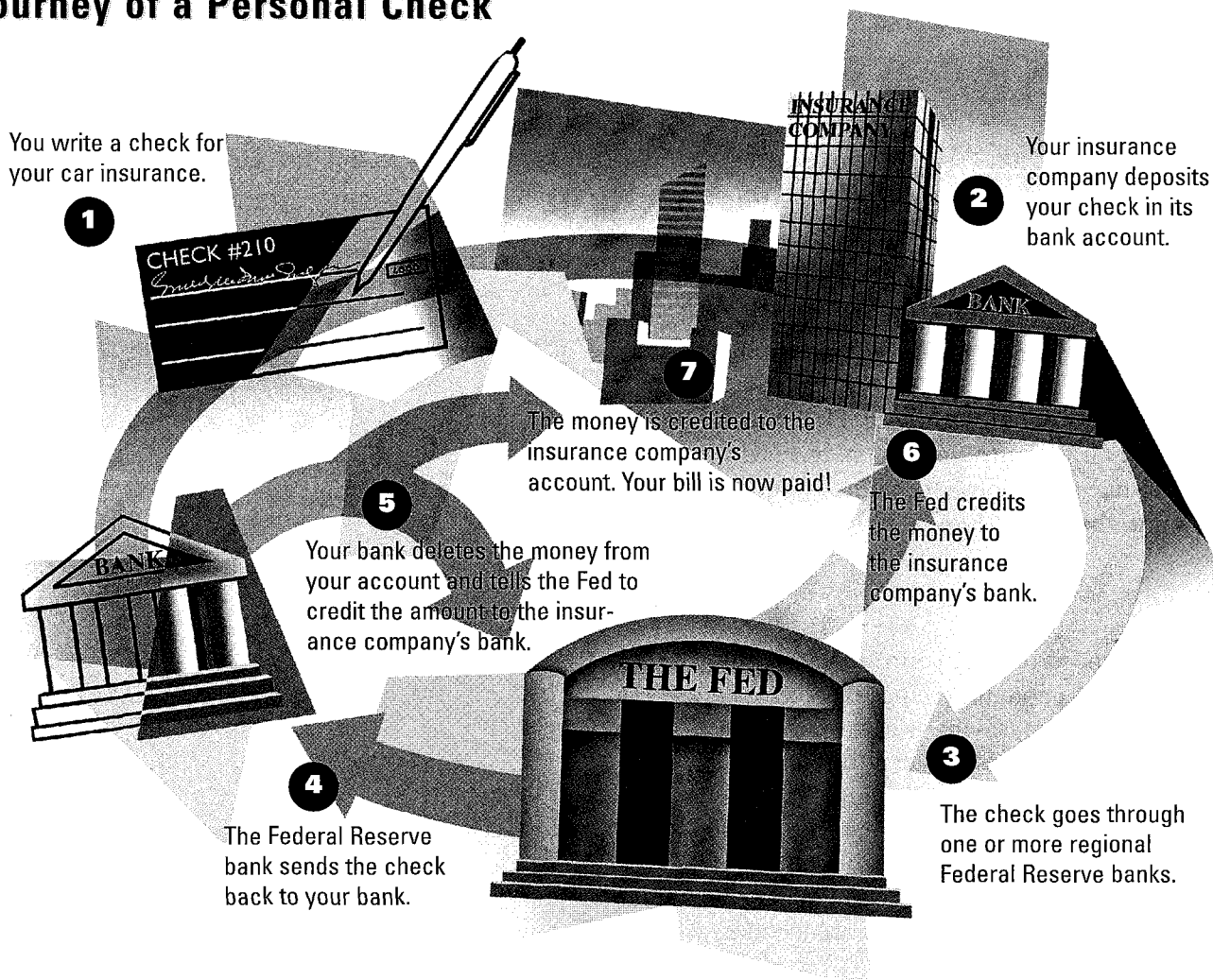
- ☐ Do I have to keep a **minimum balance**, or amount of money, in the account to avoid fees?
- ☐ Is there a monthly fee? How much is it?
- ☐ Will I be charged check writing fees?
- ☐ How many checks can I write per month?
- ☐ Will the bank return my canceled checks each month or keep them on file?
- ☐ Will I be charged ATM fees?
- ☐ What other fees are associated with this account?

Keeping Records

You won't believe how glad you'll be that you have your own records of your financial business. For example, if you earn money, the Internal Revenue Service could ask at any time to see

RECORD ALL CREDITS AND CHARGES THAT AFFECT YOUR ACCOUNT					SUBTRACTIONS		ADDITIONS		BALANCE	
ITEM NO OR TRANS. CODE	DATE	TRANSACTION DESCRIPTION	AMOUNT OF PAYMENT OR WITHDRAWAL (1)	T	(-) FEE IF ANY	AMOUNT OF DEPOSIT OR INTEREST (2)				
#383	9/5	Scott's Sporting Goods Gym shoes	-45 99						246 30	
WD	9/9	ATM withdrawal - movies	-20 00					-45 99	220 31	
#384	9/10	CD Superstore Birthdays-Kate & Sierra	-24 88					-20 00	180 31	
Dep.	9/16	Deposit - paycheck				+185 86		-24 88	155 43	
#385	9/21	Lake Forest High School yearbook deposit	-10 00					155 43	341 29	
#386	9/22	Kelly's Flower Shop Get-well bouquet - Nana	-11 18					-10 00	331 29	
Dep.	9/30	Deposit - paycheck				+127 07		331 29	-127 07	
Fee	9/30	Checking acc't fee	-5 00					447 18	447 18	
Dep.	10/2	Deposit Babysitting Rebecca				+12 00		-5 00	442 18	
#387	10/8	Sam's Market Food for hunger drive	-7 25					442 18	454 18	
Trans	10/10	Transfer to savings account	-400 00					-7 25	446 93	
								-400 00	46 93	
								46 93	195 04	

Journey of a Personal Check



your financial records for the past three years. Also, your bank could make a mistake. Bank records are rarely wrong, but it does happen. The ATM receipt you shoved in your wallet is your proof that you withdrew \$50, not \$500!

Balancing Your Checkbook

Each month you'll receive a statement, a record of your checking account activity during the last month. It lists deposits, withdrawals, ATM transactions, interest paid, and fees charged. Any checks you wrote that were cashed during the month may be returned to you in the statement, although some banks keep the originals in storage. The diagram above shows where your check goes before it is returned to you.

It's extremely important to balance your checkbook every month. That means comparing the transactions in the bank statement to your own records to make sure they agree. Most statements have a worksheet on the back to help you balance your account in a few easy steps. If you have any trouble balancing your checkbook, someone at your bank's local branch office can assist you.

Check Your Understanding

- 1. Key Terms** (a) How is your account balance different from your **minimum balance**? (b) Why is it a good idea to use a **check register**?
- 2. Evaluate** If you were going to open a checking account today, which criteria listed above would be most important and least important to you? Why?

Saving and Investing

It's never too early to prepare for your financial future, whether that means holiday shopping, next year's vacation, college, or retirement.

Paving the way to a sound financial future involves more than getting a job and living within a budget. Managing your money also involves saving and investing. How much you save and how much you invest depends on the lifestyle you choose for yourself in the present and the lifestyle you plan for your future.

Saving

Why do you need to save your money? While you might have enough earnings to meet your daily expenses, saving is a way to make sure you have money for special purchases and future expenses, whether planned or unplanned. The box below outlines the main types of bank or credit union accounts for saving money. The box on the next page provides questions to help you select an account.

Types of Accounts

Banks offer several ways for you to save your money. Each account has different features and restrictions.

Savings Accounts It's a good idea to use a **savings account** for savings that you may need to use within a short period of time. When you deposit money in a savings account, your bank or credit union will record deposits, withdrawals, fees, and any **interest** earned by your account. The interest rate is the rate of interest an account will earn on funds deposited for a full year.

Money Market Accounts A money market deposit account (MMDA) will let you save and write a limited number of checks. It usually earns higher interest than a savings account, but also usually requires a higher minimum balance and has more fees. MMDAs have a variable interest rate, which can be a benefit or a drawback depending on whether rates move up or down.

Time Deposits A time deposit, such as a certificate of deposit (CD), offers a guaranteed interest rate for a fixed period of time. In general, the longer the term, the higher the interest rate. Most banks will charge you a high penalty fee if you withdraw from the CD account before the term expires, or "matures." Open a CD account only if you think you won't need access to that money during the term of the CD.

DATE	WITHDRAWAL	DEPOSIT or INTEREST	BALANCE
12OCT94		\$1.78	\$1042.87
04NOV94		\$1000.00	\$2042.87
14NOV94		\$2.58	\$2045.45
12DEC94		\$3.53	\$2048.98
12JAN95		\$3.92	\$2052.90
14FEB95		\$4.18	\$2057.08
13MAR95		\$3.42	\$2060.50
12APR95		\$3.81	\$2064.31
12MAY95		\$3.82	\$2068.13
12JUL95		\$3.83	\$2071.96
14AUG95		\$4.32	\$2076.28
12SEP95		\$3.72	\$2080.00
12OCT95		\$3.85	\$2083.85
13NOV95		\$4.12	\$2087.97
12DEC95		\$3.74	\$2091.71
12JAN96		\$4.00	\$2095.71
12FEB96		\$4.00	\$2099.71
12MAR96		\$3.53	\$2103.24
12APR96		\$3.57	\$2106.81
13MAY96		\$3.58	\$2110.39
12JUN96		\$3.47	\$2113.86

How to Choose

a Savings Account

Deposits and withdrawals

- ☐ What is the minimum balance?
- ☐ When can I make my first withdrawal?
- ☐ How many deposits and withdrawals am I allowed to make each month?
- ☐ Am I limited in the dollar amount of my withdrawals?
- ☐ What are the penalties for early withdrawal?
- ☐ Can I use an automated teller machine (ATM) to make deposits and withdrawals?

Interest

- ☐ What is the interest rate?
- ☐ Is it compounded? How frequently?
- ☐ What is the minimum balance required to earn interest?
- ☐ When is the interest paid?

Fees

- ☐ What fees apply?
- ☐ What is the minimum balance needed to avoid fees?
- ☐ Do certain transactions carry penalty fees?
- ☐ What ATM fees apply?

Truth in Savings The **Truth in Savings Act** is a federal law that requires banks to provide you with certain information about the accounts they offer, including

- annual percentage yield—the amount of interest you will earn on a deposit
- interest rates
- fees and other charges that apply
- features, such as the minimum balance needed to avoid fees

Use this information to help you choose the bank and the type of account that is best for you.

Investing

Saving is a great way to plan for your future. Many experts advise saving 10 percent of your earnings annually. While keeping your money in a

savings account is safe, investing your money can give your dollars the opportunity to grow. Bonds, stocks, and mutual funds are among the many investment options available to you.

Bonds A **bond** is an IOU issued by a corporation or by the government as a way for them to borrow money. When you buy a bond, you buy the right to receive a fixed amount of money at some future date as well as an annual interest payment. The face value of the bond is the fixed amount agreed upon. Corporate bonds can be risky, depending on the financial health of the firm. If the firm goes bankrupt, it won't be able to pay what it owes you. Government bonds are more secure because the government is unlikely to declare bankruptcy.

Government bonds can be purchased through your bank and are available in small denominations. Interest earned is subject to federal tax, but not state or local taxes. They are a secure investment, although the return is low compared to other types of investment.

A word about interest rates Interest rates are expressed as percentages and indicate the rate of interest an account will earn on funds deposited for a full year. Interest is compounded when it is added to your principal. In effect, compound interest is interest on interest.

Stocks A popular form of investment, **stock** represents ownership in an organization. If a firm issues and sells 10,000 shares of stock, and you purchase 1,000 of them, you own 10 percent of the firm. By purchasing a corporation's stock, you are buying the right to receive a fraction of its profit.

The two potential benefits from owning stock are dividends and capital gains. **Dividends** are portions of a corporation's profit paid to stockholders.

Capital gain is the profit you make if you can sell your stock for more than you paid for it. Not all stocks pay dividends. Some companies reinvest their profits, rather than pay out dividends. Such "growth" stocks are attractive to investors because they expect the stock price to increase as the company grows.

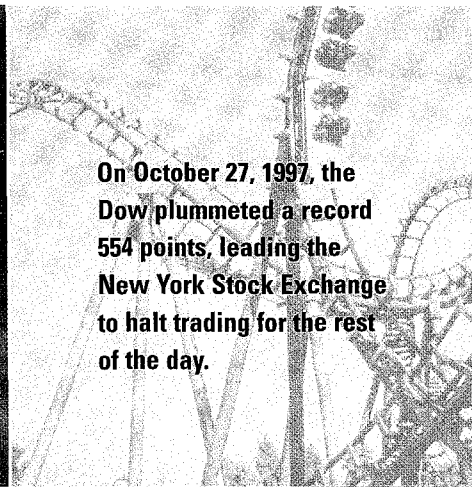
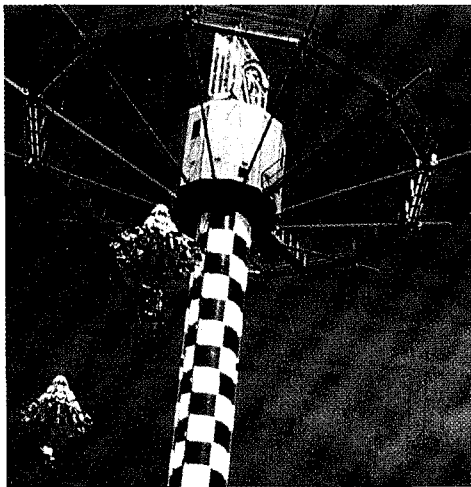
Stock is available in two forms: **common stock** and **preferred stock**. Preferred stock earns dividends fixed at an annual rate, whereas any dividends earned by common stock are dependent on market fluctuations. Preferred shareholders are paid dividends before common shareholders.

Corporate stocks are bought and sold on stock markets. Most investors rely on the services of a

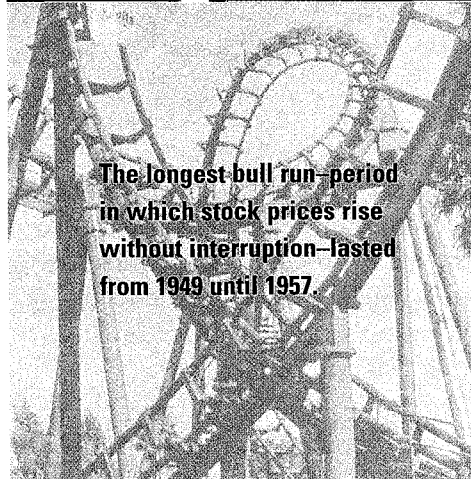
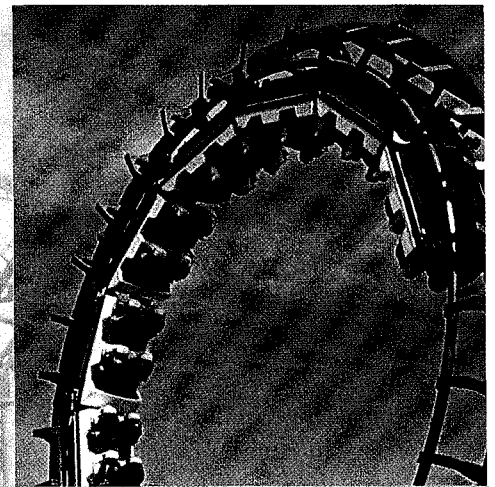
stockbroker to purchase stock. You'll want to compare reputations, transaction fees, insurance, and services of various brokerage firms before you choose one. Many people rely on the advice of a professional financial advisor or investment advisor when choosing stock. Make sure you check an advisor's credentials.

Stocks are riskier than bonds, because stock price is based on the expectation of profit. If the firm turns out to be less profitable than expected, dividends will be smaller than expected and the market price of shares may decrease. You may find yourself selling your shares for less money than you paid for them.

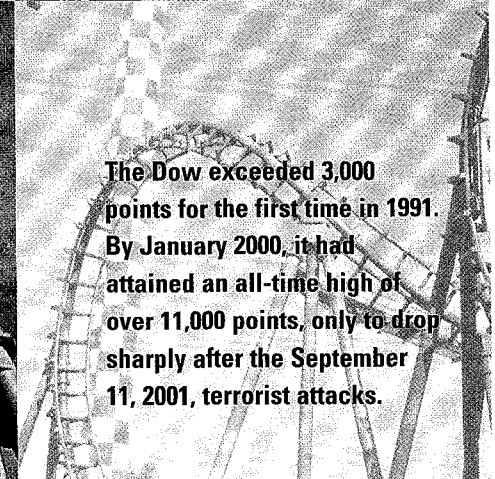
Experts warn that if you get into the stock market, you should be prepared to ride the ups and downs. Sometimes you will win, and sometimes you will lose. And don't go into the stock market



On October 27, 1997, the Dow plummeted a record 554 points, leading the New York Stock Exchange to halt trading for the rest of the day.



The longest bull run—period in which stock prices rise without interruption—lasted from 1949 until 1957.



The Dow exceeded 3,000 points for the first time in 1991. By January 2000, it had attained an all-time high of over 11,000 points, only to drop sharply after the September 11, 2001, terrorist attacks.

Comparing Investment Options

Type of investment	Income generated	Growth potential	Risk level
Bonds	very steady	little or none	low risk
Common stock	variable	good	high risk
Preferred stock	less variable than common stock	good	moderate risks

to make a quick profit for something crucial, like school tuition. If you do, the stock could take a tumble right at the time you need to sell it, and you could lose all of your investment.

Mutual Funds You might choose to invest your money in a **mutual fund**, which is an investment in an investment company. Investment companies sell stock in their mutual funds. Instead of producing a product or service, however, they take the money they receive for their stock and invest it in the stocks and bonds of other corporations. The mutual fund will combine the money you invest with that of other investors in order to make substantial investments in other companies.

A major benefit of investing in a mutual fund is that it provides instant diversification to your portfolio. This means that the money you invest in a mutual fund is spread out among all the different companies in which the mutual fund invests its money.

Mutual funds include stocks of varying risk levels. There are three categories of mutual funds:

- *Money market funds* are short-term, low risk investments. The money you invest will be used to make short-term loans to businesses or the government. (Do not confuse money market funds with money market deposit accounts, which are described on page 506.)
- *Bond funds* are, as the name implies, investments in bonds. They usually have higher potential yields than money market funds, but they are also riskier.
- *Stock funds*, though riskiest, offer the highest potential returns. As long-term investments, they perform better than money market funds and bond funds.

As with any investment, you must do your homework before you commit to a mutual fund. Even though a professional money manager will control your investment, mutual funds are not without risk.

Risk Versus Payout You have many options when it comes to investing your money. What you choose depends on what rate of return you'd like on your money and how much risk you are willing to accept. You also need to consider the length of your investment, the ease of making the transaction, and any tax burdens the investment may carry. In general, the safer the investment, the lower the return. High-risk investments have the potential for high returns because investors demand higher rates of return to compensate for the risk they face.

Despite stock tips, hype about hot stocks or "sure things," you should not approach investing as if you were a gambler in a casino. Informed decisions and careful planning are your best strategies for successful investment.

Check Your Understanding

1. **Key Terms** (a) What is the difference between a **bond** and a **stock**? (b) How does a **dividend** differ from a **capital gain**? (c) Explain the difference between **common stock** and **preferred stock**. (d) What makes a **mutual fund** an attractive investing option?
2. **Identifying Alternatives** Think about your future financial needs. Are you planning to buy a car? Do you need money for an apartment deposit or college tuition? Use the information on these pages to design a savings and investment plan that will help you reach your goals.

Financial Institutions and Services

If you have money, you're going to need the services of a bank or credit union—to save money, to manage it, and transfer it to others. If you need more money, a bank can lend it to you.

The city or town you live in probably has many banks, both large and small. Behind all that brick and chrome and glass, what are their differences? How do you choose? Begin by familiarizing yourself with the different types of banks and the various services they offer, then determine which one best suits your needs.

Types of Financial Institutions

A bank is an institution for receiving, keeping, and lending money. There are four basic types of banks:

- *commercial banks*
- *savings and loan associations*
- *savings banks*
- *credit unions*

Each offers a different range of services, although recent deregulation of the American banking industry has made them more similar than different. Whatever type of bank you choose, make sure that it is federally insured. That way, if the bank fails, you won't lose your money. Federal deposit insurance protects your deposit up to a limit of \$100,000.

Banking Services

Automated teller machines (ATMs) and bank cards

A bank card and an ATM allow you 24-hour access to your accounts, although services and withdrawal amounts are limited.

Debit cards

Debit cards are used much like checks. When you make a purchase with a debit card, money is electronically deducted from your account and credited to the seller's account. Many stores let you use your ATM card as a debit card.

Credit cards

You can obtain a credit card that is directly linked to your bank account. Payments are automatically withdrawn

from your bank account, making payment of your credit card bill more convenient.

Overdraft privileges

Your bank may give your checking account a small line of credit to protect you from bouncing checks.

Electronic banking

Using a computer and a modem, you can do much of your banking without entering a bank.

Direct deposit

You can move money directly from one account to another by authorizing a wire transfer.

Automatic withdrawal

You can arrange to have your regular bills, such as your car payment, deducted directly from your account.

Commercial Banks The bank that provides the most services and plays the biggest role in our economy is the **commercial bank**. Commercial banks provide checking accounts, savings accounts, and money market accounts, and they accept time deposits (CDs). Individuals as well as businesses maintain accounts at commercial banks. Commercial banks also make loans to both individuals and businesses. Many have begun to offer stock brokerage services as well.

Savings and Loans **Savings and loans associations**, as the name implies, traditionally accepted deposits from customers and specialized in offering long-term financing for homes. They were originally intended to promote savings and home ownership. Recent deregulation, however, has expanded scope of their services.

Savings Banks **Savings banks** accept deposits and specialize in low-risk investments, such as government bonds. Some of the larger ones offer some of

How to Choose A Bank

It can be challenging to find the right bank or credit union to suit your needs. When choosing a financial institution, be sure to get answers to the following questions:

- ☐ Is it conveniently located?
- ☐ Does it have convenient hours?
- ☐ Are ATMs available?
- ☐ What services does it offer?
- ☐ How high are the fees?
- ☐ Is it federally insured?

the same services as commercial banks, such as checking accounts.

Credit Unions **Credit unions** are nonprofit banks owned by their members, usually employees of a single organization such as a company or trade union. Their ties to industry and their tax-exempt nonprofit status enable credit unions to pay slightly higher interest rates than commercial banks. They also finance consumer loans at competitive rates.

Other Financial Institutions You may also turn to mutual fund companies, brokerage firms, and insurance subsidiaries for some financial services. Mutual fund companies and brokerage firms are useful for investing. Insurance companies can provide you with tax-deferred savings and may let you take out loans against your insurance policy. These institutions, however, do not offer a full range of banking services.

Wire transfers

Your employer can credit your pay directly to your account, giving you speedy access to your earnings.

Business and consumer loans

Banks can help you finance your education, automobile purchase, or other large purchase.

Investment services

You can purchase stocks through the brokerage services now offered by many of the larger commercial banks.

Safe deposit boxes

You can secure important documents and valuables by renting a safe deposit box, which is kept in the bank's vault.

Check Your Understanding

- 1. Key Terms** How does a **commercial bank** differ from a **savings and loan association**? How does a commercial bank differ from a credit union?
- 2. Organizing Information** Review the chart on banking services. Rank them in order of importance to you.

Credit gives extra punch to your purchasing power; but reckless handling of credit can bury you in debt.

Why do they want to lend you money? Because that's how they make money. Banks and other financial institutions lend money to both businesses and consumers. Borrowers, in return, pay fees, and those fees can be hefty. If you must borrow—for a car, for college, or for other expenses that you lack the cash to cover—learn how to borrow wisely.

Loans, credit cards, and other methods of deferred payment are known as **credit**. For a bank or other institution to extend you credit, it must be confident that you will repay all the money you borrow, plus any additional interest and fees. You, on the other hand, must understand what you're getting into before you sign on the dotted line.

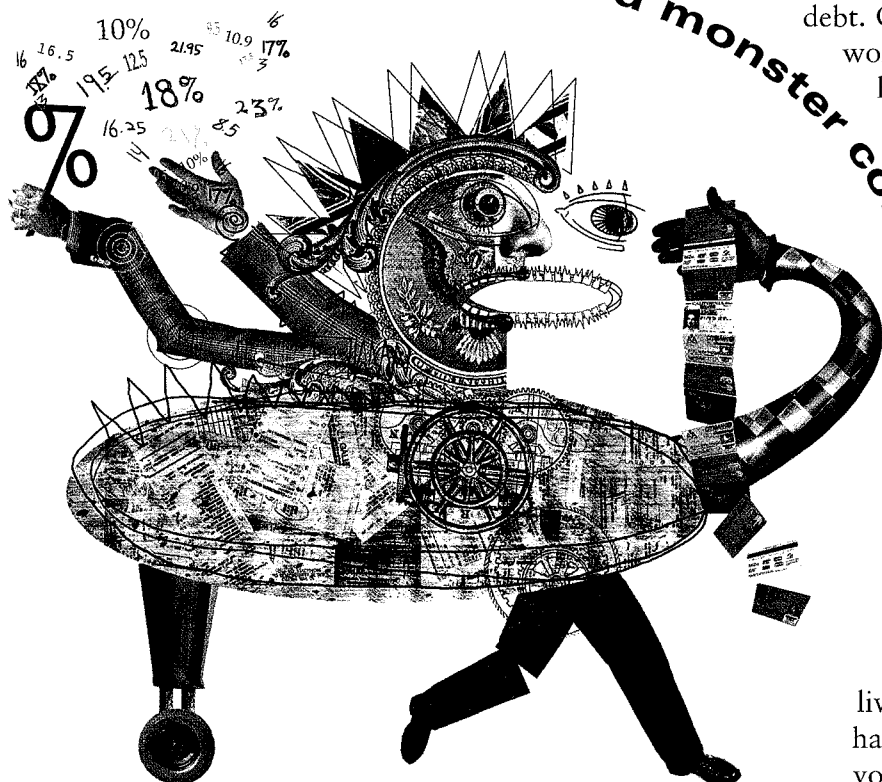
Creditors, the folks who lend you money, aren't going to give you money just on your word. They are going to ask many questions about your financial past and demand evidence of your financial health to determine if you are able and willing to pay them back.

Capital is your regular income plus the money in your savings and checking accounts.

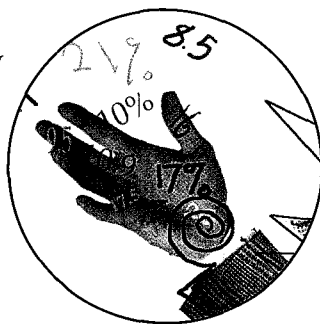
Assume You!

Character is your willingness to repay your debts. Creditors will obtain a record of your past borrowing, your bill-paying habits, and your ability to live within your means. Much of this information they will obtain from an organization called a **credit bureau**. If you fail to maintain a good **credit rating**, you will find it very difficult to obtain credit. Creditors will also look for signs of stability in your life. How long have you lived at your current address? How often have you moved in the past few years? Do you own or rent your home?

Don't let the **credit card monster** consume you!



Some loans require **collateral**, which is property used to secure a loan. If you default on the loan or fail to repay it, the creditor takes ownership of the collateral. Often the item that the loan is used to purchase serves as collateral. This is usually the case with car loans and home mortgages. If you fail to keep up with your car payments, you may find yourself walking to work.



Four Steps to Establishing Credit

- 1 Maintain savings and checking accounts.** While these are not credit, they can be used to show that you know how to manage your money. You can use your canceled checks to prove that you pay bills promptly.
- 2 Get a department-store charge card.** Store cards, which can be used only to make purchases from that particular retailer, are usually easier to obtain than bank credit cards or other forms of credit. Responsible use of a store charge card can help you establish good credit.
- 3 Use your bank deposits as collateral for a credit card.** Your limit, or the maximum amount you're allowed to borrow, would not exceed the amount of your deposits.
- 4 Have someone with good credit cosign your credit application.** A cosigner agrees to pay your debt if you fail to do so. With a cosigner, you can use someone else's good credit to establish your own.

Information Creditors Can't Use The federal government has passed laws protecting consumers from being discriminated against when applying for credit. The Equal Credit Opportunity Act forbids creditors from using age, gender, marital status, race, color, religion, national origin, or public

assistance income when establishing your credit worthiness. Nor can creditors discriminate against you for exercising certain rights, such as filing a billing error notice with a creditor.

Maintaining Good Credit As you begin to make purchases with loans and credit cards, credit might seem to you like free money, but it's not. When you borrow money from a financial institution, you are, in effect, renting money. Eventually you have to pay it all back, along with interest and fees, called **finance charges**. Finance charges can be quite expensive and add up rapidly. If you're not paying attention, you can quickly lose control of your debt.

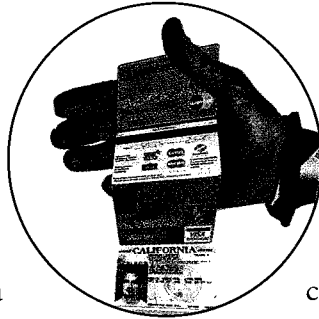
Making late payments, missing payments, or borrowing more than you can pay back will damage your credit history. A poor credit history can haunt you for seven years or more. If you are irresponsible with your credit card, you're going to have a hard time financing that new car you plan to buy.

To maintain good credit, you need to develop good credit behavior. Don't overborrow or overspend, make sure you pay your bills promptly, and protect your credit cards from loss or theft. It is also crucial for you to understand the different forms of credit available to you and how their finance charges are calculated. That way, you can make sound decisions that will keep you out of financial hot water.

Types of Credit

Different forms of credit are suited to different purposes. You know that you shouldn't use your credit card to pay for a new car. And you wouldn't take out a loan to pay for dinner and a movie on Friday night. There is much more you need to know, however, about credit.

Loans Loans come in two forms: single-payment loans and installment loans. Single-payment loans are short-term loans paid off in one lump sum. Installment loans, on the other hand, are repaid at regularly scheduled intervals, or installments, usually monthly. Each installment payment is for the same amount. Each payment is applied to both the principal (the amount borrowed) and the interest (the fee for borrowing the



money). Although you pay the same number of dollars each month, at first, more of the payment goes toward interest than principal. An automobile loan is an example of an installment loan. (See "Buying a Car" on pages 520-521.)

Loans that require collateral are called secured loans. Loans that don't require collateral are called unsecured loans. Credit for these loans, also known as signature loans, is based on the borrower's references and credit rating. A Guaranteed Student Loan is an example of an unsecured loan.

Credit Cards One of the most popular forms of credit in the United States today is the credit card. It is a form of open-ended, or revolving, credit. A credit card lets you borrow money on an ongoing basis, up to a prearranged limit, to buy goods and services. Any amount you pay back you are able to reborrow.

Many people find credit cards more convenient than cash. You can order movie tickets, buy clothes, pay for a meal, or just about anything else

using a credit card. Bank cards such as Visa and MasterCard are the most widely accepted.

As a cardholder you receive a monthly bill and are required to pay at least some portion of the balance (the amount you owe) each month. Annual fees, interest rates, and other charges vary greatly among credit card issuers, so you should carefully compare the terms of several card offers before making any commitments. Some nonprofit organizations on the Internet offer listings of good credit card deals and guidance in applying for them.

Another form of credit is a travel and entertainment (T&E) card. It is similar to a credit card, but the borrower is required to pay the total amount owed each month. Because you pay your debt in full each month, you aren't charged interest. Usually you are required to pay an annual membership fee. American Express and Diners Club are popular travel and entertainment cards.

Finance Charges and Terms

As a borrower, you pay for the privilege of borrowing money. Interest is the primary fee for borrowing money. Just as a bank will pay you interest to use your money, you must pay your creditors to use theirs. A creditor, however, may charge you additional fees. The total dollar amount you pay to use credit is called the finance charge. It includes interest and other fees that may apply.

The total dollar amount you pay to use credit is called the finance charge. It includes interest and other fees that may apply.

Annual Percentage Rate An important number for you to understand when applying for credit is the **annual percentage rate (APR)**. The APR tells you what your credit will cost. It is the finance charge expressed as an annual rate. Comparing the annual percentage rates, rather than the interest rates, offered by lenders is a good way to compare loans. Be sure you understand how your lender calculates the APR for the credit cards you are considering.

Pay your bill in full by the due date and pay no finance charge.

The APR for this card is fairly high. See if you can find a lower one.

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Comparing APR

EXAMPLE a \$100,000, 30-year home mortgage

	Plan A	Plan B
Interest rate	7.5%	7.5%
Points	0	2.0
Other closing costs	\$1,500	\$1,000
APR	7.6527	7.8046

Terms Another important factor to consider is the term, or length, of your loan. For example, if you arrange to pay for your new car in three years rather than five, your monthly payments will be higher, but in the end, you will pay less interest.

How to Choose a Credit Card

When selecting a credit card, be sure you understand all the terms of the credit-card offer before you make a commitment.

What is the APR? You may want to choose the card with lowest APR, especially if you carry a balance on your account.

Is the APR fixed or variable? A fixed APR will stay the same. A variable APR will rise and fall as the prime rate or other economic indicator changes.

What is the periodic rate? The periodic rate is the interest rate that is applied to your account balance each billing period.

How are finance charges computed? Most creditors use your average daily balance to determine the finance charge. The average daily balance is calculated by adding up all daily balances and dividing them by the number of days in a billing period.

Is there a grace period? Many creditors will charge you no interest if you pay your bill in full before the due date.

What fees does the creditor charge? Many credit cards charge an annual membership fee, as well as fees for late payments, cash advances, or exceeding the credit limit.

Comparing Terms on an Installment Loan

EXAMPLE a \$13,500 loan with 12.5% interest

	3-year loan	5-year loan
Number of monthly payments	36	60
Amount of each payment	\$451.62	\$303.72
Total interest paid	\$2,758.32	\$4,723.20

Know Your Rights Credit card issuers and other lenders are required by **Truth in Lending laws** to disclose certain information. Institutions extending loans must tell you the exact finance charge on your loan. Credit card issuers must disclose monthly interest rates, the APR, and the method of finance charge calculation.

The Fair Credit Reporting Act protects you from errors on credit reports issued by credit bureaus. You are entitled to know the reason for any negative activity on your report and to have any errors corrected. Similarly, the Fair Credit Billing Act lets you dispute and correct billing information.

If you find yourself in debt and subject to debt collection, be aware that debt collectors must ensure the accuracy of the bill in question and allow you to dispute the bill if you believe it to be in error. Debt collectors may not threaten, harass, or otherwise abuse you in pursuit of the debt.

Check Your Understanding

- 1. Key Terms** (a) Name two types of **credit** and explain how they are different. (b) How does **collateral** discourage borrowers from defaulting on a loan? (c) How do the Equal Credit Opportunity Act and **Truth in Lending laws** protect consumers?
- 2. Analyzing Information** Analyze the credit card offers your household receives in the mail or that you see advertised. Make a chart comparing their features and finance charges. Identify and explain which credit card is the best deal.

Paying for Education

Learning how to finance your tuition is an education in itself.

By the time you finish paying for college, you may have shelled out enough money to buy a luxury car, a small yacht, or perhaps even a house. And that doesn't count the cost of graduate or professional school.

The car won't last, however, while education affects your earning power for the rest of your life. So the short-term sacrifice is generally worth the potential long-term gain. But how on Earth are you going to pay for it?

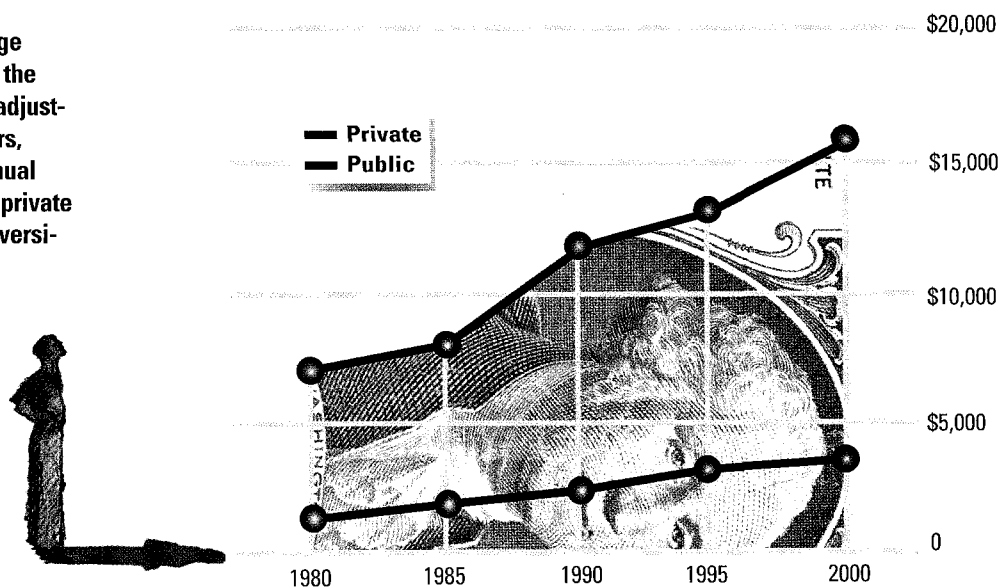
Decisions, Decisions

The hard facts about paying for college are these: even after adjusting for inflation, the average cost of tuition at public and private universities more than doubled between 1985 and 2000, while average salaries rose only 12 percent. **Tuition** is the cost of enrolling in courses. In recent years, schools have added on many other costly fees. Second, financial aid rose to meet the increased need, but mostly in terms of loans, not scholarships. How can you

achieve your educational goals without jeopardizing your financial future? Start by thinking about the type of school you want to attend. For example:

- *What school do you want to attend, and why?* Examine your goals. Can you find the educational resources you need at a less-expensive public school? The answer, often, is yes. However, if only private schools have what you're looking for, don't rule them out because of cost. Although private schools are generally more costly than public schools, private schools often can be more generous in providing financial aid.
- *How much does location matter to you?* According to the College Board, tuition costs vary considerably from region to region. Schools in the Southwest are generally less expensive than those in the East.
- *How much debt do you want to incur?* If you expect to be a freelance artist after you graduate, you might want to take on less debt than if you're planning a career as a doctor.

The costs of attending college have been rising faster than the rate of inflation. This chart, adjusted for inflation to 1999 dollars, shows how the average annual costs of attending four-year private and public colleges and universities have risen since 1980.



The ABCs of Financial Aid

Each year, millions of dollars are made available to help students pay for college. The three major types of financial aid are (a) grants and scholarships; (b) work-study programs; and (c) loans. These categories are described in the box below.

One simple equation cuts through the confusing information about financing:

$$\text{Total Cost} - \text{Total Aid} = \text{What you owe}$$

So the idea is to reduce the amount you're going to owe by applying for as many sources of aid as possible. Most students qualify for some kind of financial aid. How much you receive depends on the following criteria:

- income—yours and your parents'
- the number of college students in your family
- family assets and expenses
- the available pool of aid at the school you plan to attend
- the number of students applying for aid in a given year and their financial need compared with yours.

COLLEGE COSTS

Total Cost

Tuition, room,
board, books, fees

– Total Aid

Scholarships & grants
Work-study, loans

$$= \text{What you owe}$$

Types of Lenders

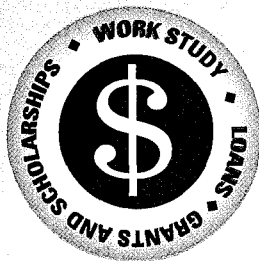
Regardless of your income, you can qualify for some type of government loan. You might need to supplement it with a loan from your school or with a commercial loan.

Three Types of Financial Aid

Grants and Scholarships

Scholarships are often based on academic or athletic performance. But don't count yourself out if you're not valedictorian or captain of the basketball team.

All kinds of people can qualify for "free money." Federal Pell Grants and Federal Supplemental Educational Opportunity Grants are given to students with "exceptional financial need." Other grants are available to students of a certain gender or ethnic group or members of a certain club or civic organization. Companies often offer scholarships to children of their employees. If you already know what you want to major in, there are scholarships for just about every field. You can find scholarship direc-



tories in the reference section of your library, on the Web, through your guidance counselor, and through college financial aid offices.

The Reserve Officer's Training Corps (ROTC) program, offered by all branches of the armed forces, gives merit-based scholarships. These pay for tuition, fees, and books and give you a monthly living allowance in return for service in the military after you graduate.

Work-study

Many American college students work their way through school. Many colleges offer work-study programs that provide on-campus jobs for students receiving financial aid. Most work-study programs are federally funded.

Loans

Both students and parents can apply for college loans. Most college loans have a low interest rate and a generous repayment schedule.

Loans can be subsidized or unsubsidized. On a federally subsidized loan, the government pays the interest during the years you're in school, and you don't begin paying back the loan until you leave school.

The Federal Government The Department of Education offers Direct Loans and Stafford Loans for parents or students, as well as the Parent Loan for Undergraduate Students (PLUS). Each loan has different eligibility requirements, but all have a cap on the interest rate. These loans are administered by agencies that vary from state to state.

The Federal Perkins Loan provides low-interest funds to students with “exceptional financial need.” The loan is administered through schools themselves.

Students who go on to take teaching jobs in certain low-income or teacher-shortage areas or who volunteer in the Americorps, Peace Corps, or VISTA programs may be eligible to have their federal loans partially repaid or even canceled.

Private Sources If money from government loans does not cover your college expenses, many other sources are available. Banks and other financial institutions offer regular commercial loans for education. These loans generally carry higher interest rates than federal loans. Trade organizations and educational institutions also provide loans, as do a variety of for-profit companies on the Web.

Pay Up! A word to the wise: Repay your student loans. Computerization and more vigorous collection efforts are resulting in more cheaters getting caught and penalized. If you run into trouble repaying your loan, call your lender, who can help you work out a manageable repayment plan.

Some loans allow you to pay just the interest for a certain period of time. Or you might get a graduated payment schedule, in which the monthly amount starts out low—when your income is relatively low—and rises later on, when presumably you can better afford to pay.

Pay off unsubsidized loans, which accrue interest while you’re in school, before government **subsidized** loans, which do not.

Applying for Financial Aid

Filling out financial aid applications has gotten easier, but it still requires some time and organization.

Required Forms To qualify for any type of government financial aid, you must complete the Free Application for Federal Student Aid (FAFSA). You can obtain the form from your high school, the local library, or the U.S. Department of Education’s Web site. The information you provide on the FAFSA form is used to calculate your Expected Family Contribution (EFC). The EFC is determined according to a formula established by Congress.

To receive nonfederal aid, many schools require you to fill out the PROFILE form. The College Board’s financial aid

INFORMATION SOURCES

The Internet is the best thing that ever happened to students seeking financial aid. If you have or can get Internet access, you’ll save yourself many hours of searching for financial aid information. In addition, you can file on-line for most scholarships and loans. Several sites have calculators that allow you to estimate your Expected Family Contribution, the amount of your aid awards, and the amount of your loan payments.

The best place for you to begin searching is Project EASI (Easy Access for Students and Institutions), the federal government’s central location for aid information and on-line filing. The project, launched in the mid-1990s, is run by the federal Department of Education. Other comprehensive sources include:

- The Access Group
- College Scholarship Service (CSS), a program of the College Board
- Federal Student Aid Information Center
- SallieMae (the commonly used nickname for the acronym SLMA, or Student Loan Marketing Association; site includes a listing of major private lenders)

RULES TO LIVE BY

- 1 Never miss a filing deadline; the federal government doesn't accept "my dog ate my application" as an excuse.
- 2 Photocopy everything you submit; you may need to refer to it later.
- 3 Use consistent information from form to form, including the spelling of your name.

program, the College Scholarship Service (CSS), runs the PROFILE program. You can request the form on paper from CSS or complete it on-line at the CSS Web site.

Required Documents As with any government program, you'll need documents—many documents. Don't wait until deadline time to start gathering them. They include:

- Proof of income (yours and your parents'), such as most recent tax returns, W-2 forms, and pay stubs
- Mortgage statements
- Proof of any unusual financial hardships, such as high medical expenses

Tip If you have savings, use it to pay off any debts you may have before applying for aid. You don't get a break for having high credit card debt, but you will be expected to contribute about one third of all savings. So use your savings to pay down your debt first.

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Free Application for Federal Student Aid

July 1, 2000 — June 30, 2001 school year FAFSA.PDF

OMB 1840-0110

Step One: For questions 1-37, leave blank any questions that do not apply to you (the student).

1. LAST NAME
2. FIRST NAME
3. M.I.
4. NUMBER AND STREET (INCLUDE APARTMENT NUMBER)
5. CITY (AND COUNTRY, IF NOT U.S.)
6. STATE
7. ZIP CODE
8. Your Social Security Number
9. Your date of birth
10. Your permanent telephone number
11. Do you have a driver's license?
12-13. Driver's license number and state
14. Are you a U.S. citizen?
15. Alien registration number
16. Marital status as of today
17. Month and year you were married, separated, divorced, or widowed
18. Summer 2000
19. Fall semester or quarter 2000
20. Winter quarter 2000-2001
21. Spring semester or quarter 2001
22. Summer 2001
23. Highest school your father completed
24. Highest school your mother completed
25. What is your state of legal residence?
26. Did you become a legal resident of this state before January 1, 1994?
27. If the answer to question 26 is "No," give month and year you became a legal resident.
28. Most male students must register with Selective Service to get federal aid. Are you male?
29. If you are male (age 18-25) and not registered, do you want Selective Service to register you?
30. What degree or certificate will you be working towards during 2000-2001? See page 2 and enter the correct number in the box.
31. What will be your grade level when you begin the 2000-2001 school year? See page 2 and enter the correct number in the box.
32. Will you have a high school diploma or GED before you enroll?
33. Will you have your first bachelor's degree before July 1, 2000?
34. In addition to grants, are you interested in student loans (which you must pay back)?
35. In addition to grants, are you interested in "work-study" (which you earn through work)?
36. If you receive veterans' education benefits, for how many months from July 1, 2000 through June 30, 2001 will you receive these benefits?
37. Amount per month?

Check Your Understanding

1. **Key Terms** (a) What are some of the ways that students deal with skyrocketing **tuition** costs? (b) Why is it smart to pay off an unsubsidized loan before paying off a **subsidized** loan?
2. **Analyze** What factors might influence your own decision making about college? Explain your reasoning.

Buying a Car

Don't think of a car as a status symbol or a personal statement. The best car is the one that suits your needs—and that you can afford.

A car is one of the biggest purchases you will make. With a small investment in time and effort, you can learn what you need to make a sensible decision—and get a good deal.

Getting the Best Deal on a New Car

Most car-buying guides recommend that you identify the invoice price of the base model of the new car you want. Then request bids—in writing—from five dealers in your area, asking them how much above or below that price they will sell the car for. Save time and avoid hassling with dealers by communicating by fax if you can. Once you have received all the bids, approach the second-lowest bidder to see if he or she will beat the lowest bid.

When purchasing your car, know in advance which options you want. Don't let a dealer talk you into spending more for options than you can afford. Be especially wary of important-sounding but unnecessary add-ons such as fabric protection, paint sealant, rustproofing, and an extended warranty. An extended warranty is a service contract purchased from the dealer by the buyer. Do not confuse it with the manufacturer's warranty that comes with the car. Extended warranties are expensive and often cover repairs already covered by the manufacturer's warranty.

Financing

Before you buy your car, research the costs of auto loans at banks and other lending institutions. Compare the annual percentage rates they offer with that of the financing offered by your car dealer. Consider how much of a down payment you can afford to make. The more money you can put down, the less you have to borrow. (For more information on loans, see Credit and Debt on pages 512–515.)

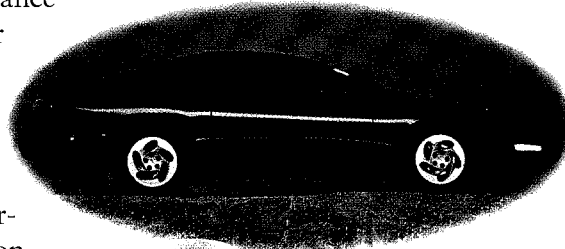
Used Cars

Automobiles quickly **depreciate**, or lose their value. The new car you drive off the lot today will be worth half what you paid for it in three years. After three years, the rate of depreciation slows down. By the sixth year, it is down to 3 percent per year. You might consider buying a car that has already depreciated substantially. That way, not only will you pay a lot less for it, but it will retain its value a lot longer than a new car.

You can buy used cars from many sources: dealers, rental and leasing companies, or individuals.

To make sure the car you're buying is reliable, try to obtain all service records on the car. This way

LUXURY



you can determine how well the car has been cared for. Calculate the average annual mileage. Anything over 15,000 miles per year indicates a car that has experienced an excessive amount of wear and tear.

You should also arrange to have an independent mechanic inspect the car for you before you buy it. Look in the Yellow Pages under "Automotive Diagnostic Service" for a certified mechanic.

Dealers are required by federal law to post a Buyer's Guide on the used cars they offer for sale. The Buyer's Guide must specify whether the vehicle is being sold "as is" or with a warranty, and what percentage of the repair costs the dealer will pay.

Avoiding High-Pressure Tactics

Let's face it, a professional car dealer has much more experience in selling cars than you do in buying them. How can you avoid being pressured into spending more money than you want to?

- Be prepared. Know what you want, what you don't want, and obtain bids based on the invoice price.

PRACTICALITY



- Don't be talked into options you don't want. If the dealer doesn't have the exact car you want, have him or her try to get it from another dealer, or go to another dealer yourself.
- Don't discuss trade-ins until after you've settled on a sale price. Do not let the dealer consider the trade-in of your old car as a reduction in dealer sticker price. To "trade in" your old car is simply to sell it to the dealer. It has nothing to do with the price of the new car.
- Don't be pushed into a decision. If you're at a dealership just to look, don't let a dealer talk you into buying that day, no matter what one-day

How to Choose a Car

There are so many makes and models of cars, both new and used. How can you pick the one that's right for you? Identify your needs to help you narrow your search. Here are some questions to ask yourself:

- ☐ How many people does my car need to seat?
- ☐ How much cargo space do I need?
- ☐ What weather and road conditions will my car be subject to?
- ☐ How often will I use my car? Daily? Weekly?
- ☐ How many miles do I expect to put on my car each year?
- ☐ What do I consider acceptable gas mileage (number of miles per gallon of gasoline)?

And the most important question:

- ☐ How much can I afford to pay?

Your local library has many car-buying guides to help you choose a make and model. Check the Internet and nonprofit consumer publications for prices and evaluations of the performance, comfort, and safety of new and used cars.

specials he or she dangles before you. If you're negotiating a price and the dealer says, "Take it or leave it," don't be afraid to leave it. If you can't find a better deal elsewhere, you can always come back.

- Get it in writing. If a dealer is not willing to put all agreements in writing, walk away.

If you are feeling bullied, confused, or pressured by a dealer, just walk away. Your ability to get up and leave is the best leverage you have.

Check Your Understanding

1. **Key Terms** Why is it a wise idea to buy a car that has already **depreciated** a great deal?
2. **Analyze** (a) What four features would matter most to you in buying a car? List them in order, for example, a certain price range, two-door vs. four-door, or a sun roof. (b) What do you have to sacrifice in order to get your most-wanted feature? In other words, what is the opportunity cost of that choice?

Home is more than a place to hang your hat. Choosing the right place to live can go a long way toward making you happy.

Choosing the Right Place

A good rule of thumb is to have one month's rent and utility payments equal no more than one

Keep in mind that you will probably need a large supply of cash up front. Many landlords require in advance the first and last month's rent. Some also ask for a **security deposit**, a sum of money that you pay the landlord to ensure that you will leave the apartment in the same condition you found it in. The security deposit is usually equal to a full month's rent. After you give up the apartment, the landlord will inspect it. If you have damaged the property, the landlord will use money from your security deposit to make repairs and will return any unused portion to you. If the apartment is undamaged, you will get back your entire deposit, sometimes with interest.

Finding an apartment you like is half the battle.
The other half is convincing the landlord that you'll

[illegible]

How to Choose an Apartment

Finding the right apartment can be difficult. Be sure to get answers to the following questions during your search.

- ☐ How many rooms does it have?
- ☐ What condition is it in?
- ☐ Are the door and window locks sturdy?
- ☐ Are there working smoke detectors?
- ☐ Are the walls soundproof?
- ☐ Does it have adequate closet space?
- ☐ Are there laundry facilities?
- ☐ What is the condition of the bathroom fixtures?
- ☐ Is parking available?
- ☐ Are pets allowed?
- ☐ Does the neighborhood appear safe?
- ☐ Is it convenient to where you work or attend school?
- ☐ Will you have access to public transportation?
- ☐ How close is the nearest grocery store?
- ☐ What are the terms of the lease?

be a responsible tenant. Remember, you may be competing with other prospective tenants for the apartment.

You will be asked to fill out a rental application. Most applications ask you for details such as:

- The names and phone numbers of your present and previous landlords
- Your social security number
- Your employer, job position, and income
- Your bank name, address, and account numbers
- Personal references

The landlord may also perform a credit check on you—another good reason to maintain a good credit history.

If this is your first apartment rental, you'll have to rely on your personal references, rather than previous landlords, to vouch for your character. Ask responsible adults who know you well, such as a teacher, coach, employer, or clergy member, to provide you with written references.

Once you've been approved to take the apartment, you will be required to sign a **lease**, a rental agreement between landlord and tenant. Most

leases require a one-year commitment and monthly rent payments. The lease also spells out rules such as whether pets are allowed, or whether a fee will be charged if your rent is late. Some landlords will let you rent month to month without a set end date other than the amount of notice previously agreed upon.

Read any lease or rental agreement carefully, and make sure you understand it before you sign. Discuss the terms with your landlord, along with any changes you'd like to make. Bear in mind that what you are signing is a **contract**, a binding legal agreement. Both you and your landlord are required to live up to its obligations.

Rights and Responsibilities Know your tenant rights. While a landlord has the right to ask for references and perform a credit check, it is against the law to discriminate against a potential tenant on the basis of race, color, national origin, religion, sex, familial status, or handicap. Contact your state's office of Housing and Urban Development for more information.

Landlords are required to provide a dwelling that is structurally safe and sanitary and that has heat, water, and electricity. Your landlord has the right to enter your apartment only to make repairs or to show it to a prospective tenant, and sometimes he must give you notice before doing so.

Rental laws vary in different locations. For example, in rent-controlled neighborhoods, landlords are limited in the amount of rent they can charge. Check with your local housing or consumer affairs office for information.

At the same time, tenants have responsibilities. As a tenant, you must pay your rent on time, keep your apartment clean and undamaged, follow the terms of your lease or rental agreement, and be considerate of your neighbors.

Check Your Understanding

1. **Key Terms** (a) What is the purpose of a **security deposit**?
(b) How does a **lease** benefit both landlord and tenant?
2. **Analyze** What three factors would be most important to you when searching for an apartment? Explain your reasoning.

Buying Insurance

We hate to pay for it, but we're sometimes glad we did.

When we're young, we tend to think that nothing bad will ever happen to us. But sooner or later we usually find ourselves wanting the benefits that insurance offers.

How Insurance Works

Insurance is essentially a bet between you and your insurance company. You are betting that some type of accident will happen to you: illness or damage to your car or home. The company, on the other hand, is betting that you will not have such a problem. It bases its judgment on complicated formulas of probable risk.

Insurance Costs

In the event of an accident, you could suffer devastating financial losses. So you pay the insurance company a sum of money called a **premium**. The company then promises to pay compensation in the event of an accident. The amount the insurance company pays out could be many times what you paid in premiums.

If you remain accident-free, the company makes money. It uses part of that money to pay policyholders who do sustain some type of loss.

Most insurance policies include a **deductible**, an amount of expenses that you must pay before the insurer will cover any expenses. For example, if your car insurance policy has a \$1,000 deductible, and you have an accident, you'll have to pay the first \$1,000 in damages yourself, then the insurance company will pay the rest, up to a certain limit.

Coverage

Before you buy auto or home insurance, find out if the policy covers replacement cost, the amount of money needed to buy a new item to replace the lost or damaged one. Some companies only cover actual cash value (ACV), the amount that the lost or damaged item would have been worth on the market before the accident. If, for instance, your two-year-old computer is stolen, its ACV is not nearly as much as it would cost you to buy a new computer to replace the stolen one, because computers lose their value quickly.

Shop for a policy that requires the lowest possible premium while giving



you the amount of coverage you need, no more and no less. But beware: Insurance policies contain complicated language and lots of fine print. Make sure you read carefully. Get estimates from several companies before you sign. Or go to a fee-only insurance advisor, an impartial expert who can help you evaluate policies and recommend the one that's right for you.

Auto Insurance

If you drive, most states require you to have your own auto insurance or to be listed as a driver on someone else's policy. If you drive a car with the owner's permission, you're usually covered.

Most insurance companies offer several types of auto insurance. Collision insurance covers damage to your vehicle regardless of who is at fault in an accident. Comprehensive insurance pays for other types of damage to your car, such as theft, broken glass, vandalism, and natural disasters. If you are at fault in an accident, liability insurance covers property damage and bodily injuries to people who are not on your policy, as well as your court costs. Other provisions pay medical costs for you and others riding in your car.



Health Insurance

Even if you're healthy, having health insurance is a good idea. Insurance plans cover a variety of health-care needs, such as hospitalization, surgeries, routine medical care, preventive care, visits to specialists, medicines, mental health care, and dental care.

The problem, however, is finding affordable care. Health insurance premiums are costly. The best rates are available through group insurance plans offered by employers and other large organizations. Purchasing an individual plan can cost hundreds of dollars a month. Health insurance companies offer a variety of plans, so you can buy the level of coverage you need to feel protected.

Dental insurance policies cover procedures and products such as fillings, crowns, extractions, bridgework, and dentures. These plans usually require deductibles and copayments.

Health insurance plans vary according to several factors:

- 1 The degree to which you can choose your doctors
- 2 The types of procedures covered
- 3 The amount of deductible required
- 4 The amount of **copayment**, which is the percentage of each visit or procedure that the patient must pay
- 5 Annual limits on the total amount of care covered

Property Insurance

Think for a moment about the value of your belongings: stereo, computer, television, VCR, bicycle, books, clothes, coin collection, etc. What if your apartment caught fire? What if your building were destroyed by a tornado or other natural disaster? Would you need a lot of money to replace what you own? If so, then you should insure it.

Renter's insurance is generally a type of homeowner's policy. It protects your belongings against destruction from fire, wind, lightning, explosions, and theft. It can cover your liability if someone is injured in your home. Most policies do not protect you against flood damage; you need to purchase a separate flood insurance policy for that kind of coverage. You might need to keep receipts and other records of major household items to have them covered.

Check Your Understanding

1. **Key Terms** (a) Explain the difference between a **premium**, a **deductible**, and a **copayment**. (b) Why is a policy that covers replacement cost better than one that covers actual cash value? (c) Why do you think some states require drivers to carry liability insurance but not collision insurance or comprehensive insurance?
2. **Using Graphic Organizers** Create a chart that shows the opportunity costs of buying auto insurance, health insurance, and property insurance.

Getting a Job

Finding work can seem like a full-time job in itself.

But the harder you search, the better the job you'll get. Nobody likes looking for a job. It's tedious and time consuming. You have to steel yourself for rejections and forge ahead. But remember: All you need is for one employer to say, "You're hired."

The Résumé

One of the most important tools in your job hunt is your **résumé**, a document that summarizes your employment experience, education, and other information a potential employer wants to know. Many job postings will instruct you to send in your résumé.

Reviewing résumés is the employer's first step in eliminating candidates for a job, so you'll want to make sure yours is as well-prepared as it can be.

The Cover Letter

When you send out a résumé, accompany it with a cover letter addressed to a particular individual—ideally, the hiring manager. You should mention your interest in the company and where you learned about the job opening. Your cover letter is an opportunity to highlight or add detail to points in your résumé. Keep your letter brief, however.

Heading Include your name, address, phone number, and any other contact information, such as fax number or e-mail address.

Objective Identify the type of position you seek.

Education Outline your educational achievements (degrees, diplomas, or certificates earned).

Experience Describe your work experience and the job skills you have demonstrated.

Activities and Other Skills Provide any other information pertinent to the job you seek.

JENNIFER GARDNER
2362 Lamar Boulevard
Fort Worth, Texas 76129
(817) 555-9673

OBJECTIVE

A challenging entry-level sales position

EDUCATION

Diploma, Graham High School, May 2001

EXPERIENCE

September 2000–
May 2001

Sales Clerk, Paris Bakery

Advised customers seeking specialty items for parties or weddings. Proposed and promoted new "pastry of the month" sales campaign. Responsible for accurate sales transactions.

Summer 2000

Camp Counselor, Camp Carrboro

Taught arts and crafts to elementary-school students. Organized activities and secured supplies.

September 1999–
May 2000

Tutor, Graham High School

Tutored students in English and world history. Created an advertising campaign to publicize tutoring services.

ACTIVITIES

Member of Young Entrepreneur Club
Member of varsity girls' soccer team

OTHER SKILLS

Speak Spanish fluently
Experienced in finding information on the Internet

REFERENCES

References available upon request

It's not enough to send your résumé out into the world and then sit back and wait for phone calls. Your résumé may wind up sitting in a stack of hundreds on somebody's desk. In your cover letter, mention when and how you will follow up the letter—and make sure you do.

Identifying Job Openings

The more information you have, the better your job hunt. You need to learn not only about the field you're interested in, but about the companies you're seeking a position with. Use as many information sources as you can to get the complete picture.

Networking There's a grain of truth to the adage "It's not what you know, it's who you know." Friends and family can put you in contact with people in the fields you're interested in. Talking with friends, family, and acquaintances about job leads is called networking.

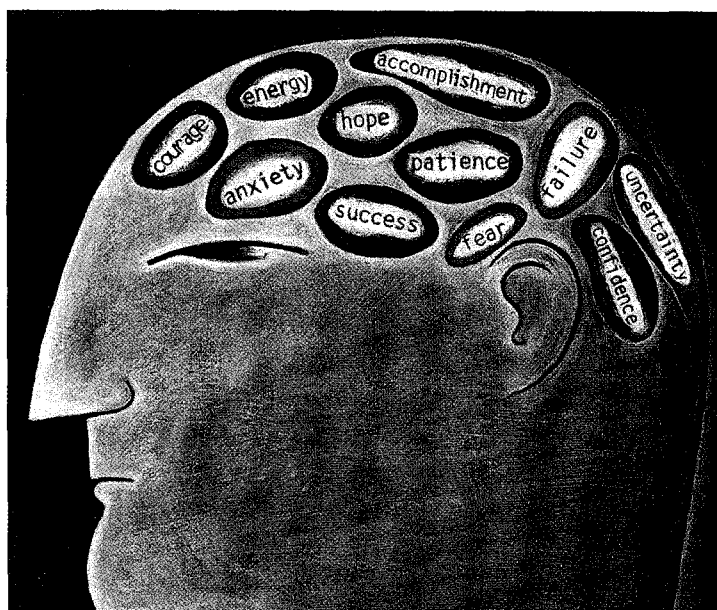
Help Wanted Ads Newspapers' help wanted sections carry many advertisements for jobs. But the ads are often brief, offering few details about the job or the company. Competition for these jobs is keen, since many people turn to the help wanted ads when they are looking for a job. Respond promptly to help wanted ads, and keep a record of employers you contact.

The Internet Some Web sites let you post your résumé on-line. For example, the U.S. Department of Labor, in conjunction with state-run employment services, maintains a Web site called America's Job Bank. It offers career resources, occupational projections, job listings, and a place to post your résumé.

Employment Services Public employment services can match your qualifications with available jobs. State-run job services are free. Check the state government listing in your phone directory for the office nearest you.

Many community job centers provide job placement services, too. They may offer résumé writing tips, interview practice, testing, and job counseling. And don't forget your school guidance counselor's office for job placement and counseling.

Private employment services are also available. These businesses will charge you or your employer a



high fee for placing you in a job. Find out who will be paying the fee and what guarantees the agency offers before you sign up with them.

Interviewing

At the interview, the interviewer will talk with you to determine whether you are able and willing to do the job and whether you share the company's goals. Prepare for the interview by finding out as much about the company as you can. You'll also want to go into the interview with information about the standard salary ranges for similar positions. The employer may want to discuss salary during the interview.

Be ready to answer questions about your qualifications and goals. Also be prepared to ask questions about the position and the company. An interview can determine not only whether you're right for the job, but also whether the job is right for you.

Check Your Understanding

- 1. Key Terms** To an employer, what qualities might distinguish a good résumé from a poor one?
- 2. Formulating Questions** Plan a mock interview. Write down five questions an employer might ask you and five questions you might ask an employer.

Paying Taxes

Uncle Sam wants his share of your paycheck; but don't give him too much.

When the Sixteenth Amendment to the Constitution took effect in 1913, the federal income tax became a fact of life. Every year of your working life you will go through the ritual of filing a federal tax return, the form(s) on which you calculate how much tax you owe. So why not decide to get organized from the start? By following a few simple guidelines, you can save time, effort, and maybe some money.

The American Tax System

Perhaps the three most dreaded letters in American English are "IRS." They stand for the "Internal Revenue Service."

The IRS The IRS, an agency within the Treasury Department, interprets and applies federal income tax laws passed by Congress. The agency generates tax forms and collects taxes.

The IRS will also come after you if you don't pay what you owe. In the past, the agency's aggressive pursuit of delinquent taxpayers and the surly attitude of some of its agents earned it a bad reputation. But public pressure for reform finally brought about changes in the late 1990s intended to make the IRS more helpful to citizens—most of whom are honest taxpayers.

Understanding the Tax System The current federal tax system includes a progressive tax, one

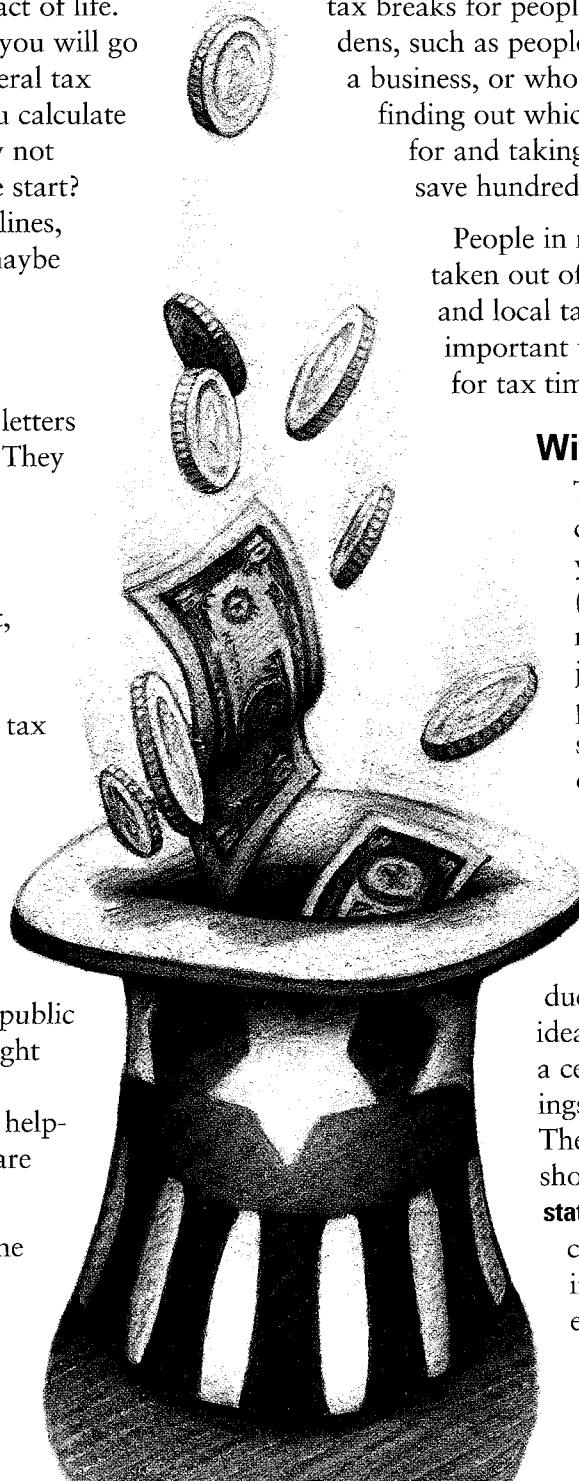
in which people with the highest incomes have the highest tax rates. The system includes hundreds of tax breaks for people with special financial burdens, such as people paying for college or starting a business, or who have high medical bills. By finding out which tax deductions you qualify for and taking advantage of them, you can save hundreds of dollars a year in taxes.

People in many places have three bites taken out of their income: federal, state, and local taxes. Therefore, it is especially important to understand how to prepare for tax time.

Withholding

The federal government used to collect taxes at the end of every year. The problems were that (a) the government needed money throughout the year, not just at the end, and (b) many people weren't very good about setting aside some tax money out of every paycheck, so by tax time, they had no money to give to the tax collector.

In 1943, in need of money to finance World War II, the government introduced on a permanent basis the idea of withholding, that is, taking a certain percentage of your earnings before you get your paycheck. The amount that is withheld is shown on the **payroll withholding statement** attached to your paycheck. The money withheld goes into the federal Treasury. At the end of the year, you figure out



Cut here and give the certificate to your employer. Keep the top part for your records.

Form **W-4** **Employee's Withholding Allowance Certificate** OMB No. 1545-0010
 Department of the Treasury Internal Revenue Service **2001**

For Privacy Act and Paperwork Reduction Act Notice, see page 2.

1 Type or print your first name and middle initial **SUSAN A.** Last name **SMITH** 2 Your social security number **123 45 6789**

Home address (number and street or rural route) **111 MAIN ST.** 3 ☐ Single ☐ Married ☒ Married, but withhold at the Single rate.
 City or town, state, and ZIP code **ANYTOWN, PA 00000** Note: If married, but legally separated, or spouse is a nonresident alien, check the Single box.

4 If your last name differs from that on your social security card, check here. You must call 1-800-772-1213 for a new card.

5 Total number of allowances you are claiming (from line H above or from the worksheets on page 2 if they apply) **5** 6 Additional amount, if any, you want withheld from each paycheck **2**

7 I claim exemption from withholding for 1999, and I certify that I meet BOTH of the following conditions for exemption:
 • Last year I had a right to a refund of ALL Federal income tax withheld because I had NO tax liability AND
 • This year I expect a refund of ALL Federal income tax withheld because I expect to have NO tax liability.
 If you meet both conditions, write "EXEMPT" here **7**

Under penalties of perjury, I declare that I am entitled to the number of withholding allowances claimed on this certificate, or I am entitled to claim exempt status.
 Employee's signature (Form is not valid unless you sign) **Susan A. Smith** Date **2/19/01**

8 Employer's name **ANYTOWN PUBLIC LIBRARY** 9 Office code (optional) 10 Employer identification number

Cat. No. 10220Q

Be sure to enter your Social Security number correctly.

The worksheet on page 2 of this form will help you figure out how many deductions you can take.

Don't forget to sign and date the form!

the amount of tax you owe. If you had too much money withheld from your paychecks, the surplus is returned to you as a tax refund. If you did not have enough money withheld during the year, you have to pay the balance.

Too Much, Too Little Tax laws require most people to have a certain minimum percentage withheld from their paychecks. Beyond that, you choose how much to have set aside. Do you want to make sure that you won't have to pay more taxes at the end of the year? Do you want to get a big tax refund? If so, have a generous amount withheld.

The disadvantage of having a large amount withheld is that the government is holding on to your money all year and giving it back to you at the end. That's like giving the government a no-interest loan. Instead, you could put that money into savings and earn interest on it all year, then use it to pay whatever you owe at tax time. Make sure, however, that you at least have the legal minimum amount withheld, or you will be subjected to stiff penalties.

The W-4 Form To figure out how much money to have withheld from your paychecks, you must complete a Form W-4, which is shown above. When you start a new job, the employer will give you the form to complete and return. It includes worksheets to help you do the calculations required.

The W-4 form gives you the option of taking certain personal allowances that will lower the amount

of tax withheld from your income. For example, you may take an exemption for yourself, your spouse, and any dependents you have. An exemption lowers the amount of your income that is taxed. The more exemptions you have, the lower your taxable income.

Estimated Taxes Under certain circumstances—if you are self-employed, for instance—you can choose not to have taxes withheld. However, you still must pay an estimated tax. Those who estimate can pay a lump sum at the beginning of the year or make quarterly estimated payments. The IRS will provide you with the forms for estimating and filing your payments.

Tax Preparation

The tax "season" runs from January to April 15. During that time, you need to fill out and file the appropriate tax forms.

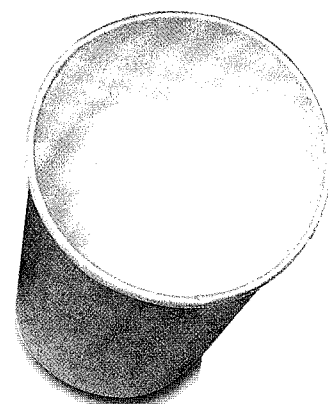
The W-2 Form Some time in January or early February you should receive a Form W-2. You will get a W-2 from any employer you worked for who withheld taxes from your pay. If you don't receive this form by mid-February, contact your employer and ask about it. Employers must send out W-2s by January 31.

Save these important tax documents! The W-2s must be attached to your tax return when you file.

What you'll need to fill out your tax return



* Alarm clock to wake you up in time to make it to the only post office within forty miles that's open until midnight



* Warm milk to soothe your frazzled nerves

* Extra pencils for chewing



Form 1040EZ

Department of the Treasury—Internal Revenue Service

Income Tax Return for Single and Joint Filers With No Dependents (99) **2001** OMB No. 1545-0075

Use the IRS label here

Your first name and initial Last name

If a joint return, spouse's first name and initial Last name

Home address (number and street). If you have a P.O. box, see page 7. Apt. no.

City, town or post office, state, and ZIP code. If you have a foreign address, see page 7.

Your social security number

Spouse's social security number

IMPORTANT! You must enter your SSN(s) above.

Presidential Election Campaign (See page 7.)

Note: Checking "Yes" will not change your tax or reduce your refund. Do you want \$3 to go to this fund? Yes ☐ No ☐

If a joint return, does your spouse want \$3 to go to this fund? Yes ☐ No ☐

Income

1 Total wages, salaries, and tips. This should be shown in box 1 of your W-2 form(s). Attach your W-2 form(s). 1

2 Taxable interest income. If the total is over \$400, you cannot use Form 1040EZ. 2

3 Unemployment compensation (see page 8). 3

4 Add lines 1, 2, and 3. This is your adjusted gross income. If under \$10,030, see page 9 to find out if you can claim the earned income credit on line 8a. 4

5 Can your parents (or someone else) claim you on their return? Yes, enter amount on worksheet on back. No, If single, enter 6,950.00. If married, enter 12,500.00. See back for explanation. 5

6 Subtract line 5 from line 4. If line 5 is larger than line 4, enter 0. This is your taxable income. 6

Payments and tax

7 Enter your Federal income tax withheld from box 2 of your W-2 form(s). 7

8a Earned income credit (see page 9). b Nontaxable earned income: enter type and amount below. 8a

9 Add lines 7 and 8a. These are your total payments. 9

10 Tax. Use the amount on line 6 above to find your tax in the tax table on pages 20-24 of the booklet. Then, enter the tax from the table on this line. 10

Refund

11a If line 9 is larger than line 10, subtract line 10 from line 9. This is your refund. 11a

b Routing number c Type: Checking Savings d Account number

Amount you owe

12 If line 10 is larger than line 9, subtract line 9 from line 10. This is the amount you owe. See page 14 for details on how to pay. 12

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and accurately lists all amounts and sources of income I received during the tax year.

Sign here

Your signature Spouse's signature (if joint return. See page 7.)

For Official Use Only

Keep copy for your records. Date Your occupation Date Spouse's occupation

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 18. Cat. No. 11328W 1998 Form 1040EZ

1040 EZ form

W-2 form

W-2 form

1 Wages, tips, other comp. 27.00

2 Social security wages 27.00

3 Medicare wages 27.00

4 Social security tax withheld 1.65

5 Medicare tax withheld .40

6 Federal income tax withheld 1.37

7 Employer's name, address, and ZIP code: REFERENCE PRESS, INC. 250 EAST 70TH ST. NEW YORK, NY 10021

8 Employer's EIN: 22-1234567

9 Employee's name: JOHN DOE

10 Employee's address: 12345 AVE. NEW YORK, NY 10001

11 State: NY

12 Local: NY

13 Local: NY

14 Local: NY

15 Local: NY

16 Local: NY

17 State: NY

18 Local: NY

19 Local: NY

20 Local: NY

21 Local: NY

22 Local: NY

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100 Local: NY

*only needed if you wait until April 15th to file.

Preparing Your Return

The Internal Revenue Service publishes dozens of tax forms that require you to provide information about your income and certain financial activities from the previous year. Then, following the directions on the forms, you calculate how much tax you owe, or how much should be refunded to you.

Federal tax forms and instruction booklets are usually available free from January through April at many post offices, public libraries, and banks. You can also quickly download dozens of forms at the IRS Web site, or receive certain forms via fax through the IRS's TaxFax Service.

Many unmarried people with no children qualify to use Form 1040EZ, which is the simplest tax form. As you can see from the sample on page 530, the 1040EZ asks you questions that you should be able to answer by looking at your W-2 and interest statements.

If you have more complicated financial circumstances, you may need to file a Form 1040A or standard Form 1040, which are more complex. Use one of these forms if you're able to claim deductions. A deduction is a provision that allows you to deduct, or subtract, money from your taxable income. The lower your taxable income, the less tax you owe. If you paid for any of the following items, they may be tax-deductible:

- *college tuition*
- *child or parental care*
- *high medical expenses*
- *a home mortgage*
- *business expenses you paid yourself*
- *business losses (if you're self-employed)*

Never put any false information on a tax form. If the IRS suspects that you've cheated on your taxes, you'll be called in for an audit, a detailed examination of your financial transactions. (Occasionally, perfectly innocent people get audited, too.) Penalties for tax fraud are severe.

What if you make an honest mistake on your tax return? If it's a simple math error, the IRS will generally catch it, inform you of it, and recalculate your tax. If you make a significant error, you may need to file an amended form as soon as possible. These mistakes generally are not considered fraudulent.

Help!

If preparing your tax return seems too daunting, don't merely guess—get help. Each form has step-by-step instructions, but they might not answer all your questions. Here are some other places to turn to:

- The Internal Revenue Service Web site is a friendly, helpful site with lots of information. Try out TaxInteractive, an on-line information service sponsored by the IRS and the American Bar Association.
- Call the IRS anytime at 1-800-829-1040. You can get help over the telephone, schedule an appointment, or take advantage of a walk-in service at certain locations and times.
- Tax-preparation services and tax accountants will fill out your tax return for you for a fee. They provide the forms, make suggestions, and answer questions. Some will file your return for you.

Ways to File Your federal tax return usually must be postmarked by midnight on April 15. If you file late, you could be hit with substantial penalties and interest charges.

If you prepare your return on paper, you must send it to the IRS Service Center listed in the instruction booklets and at the IRS Web site. There are several ways to prepare and file your return electronically. Filing electronically will get you a faster tax refund but you usually have to pay a fee. If you owe money, you can pay by check or credit card. Call the IRS or visit its Web site for details.

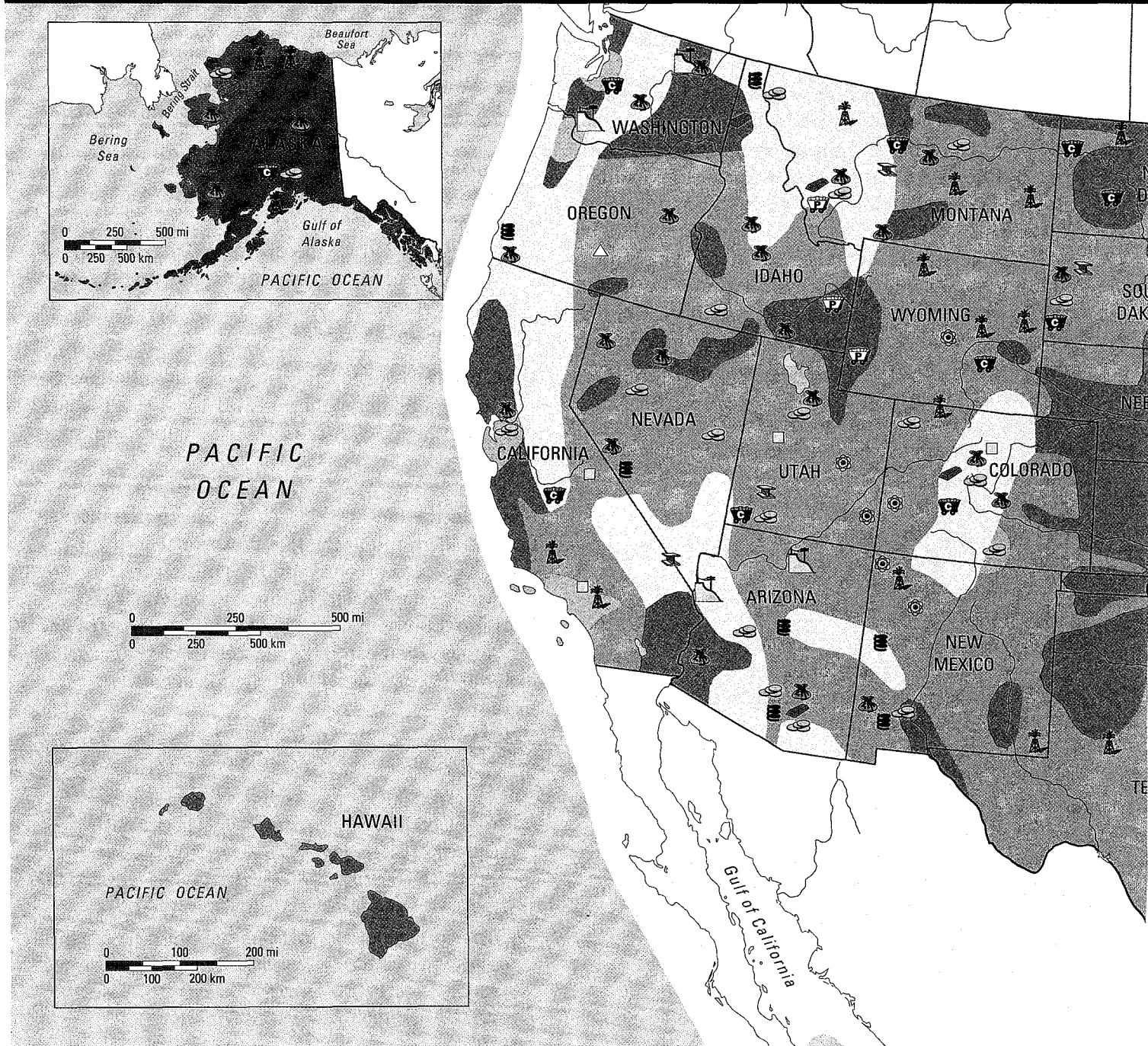
Check Your Understanding

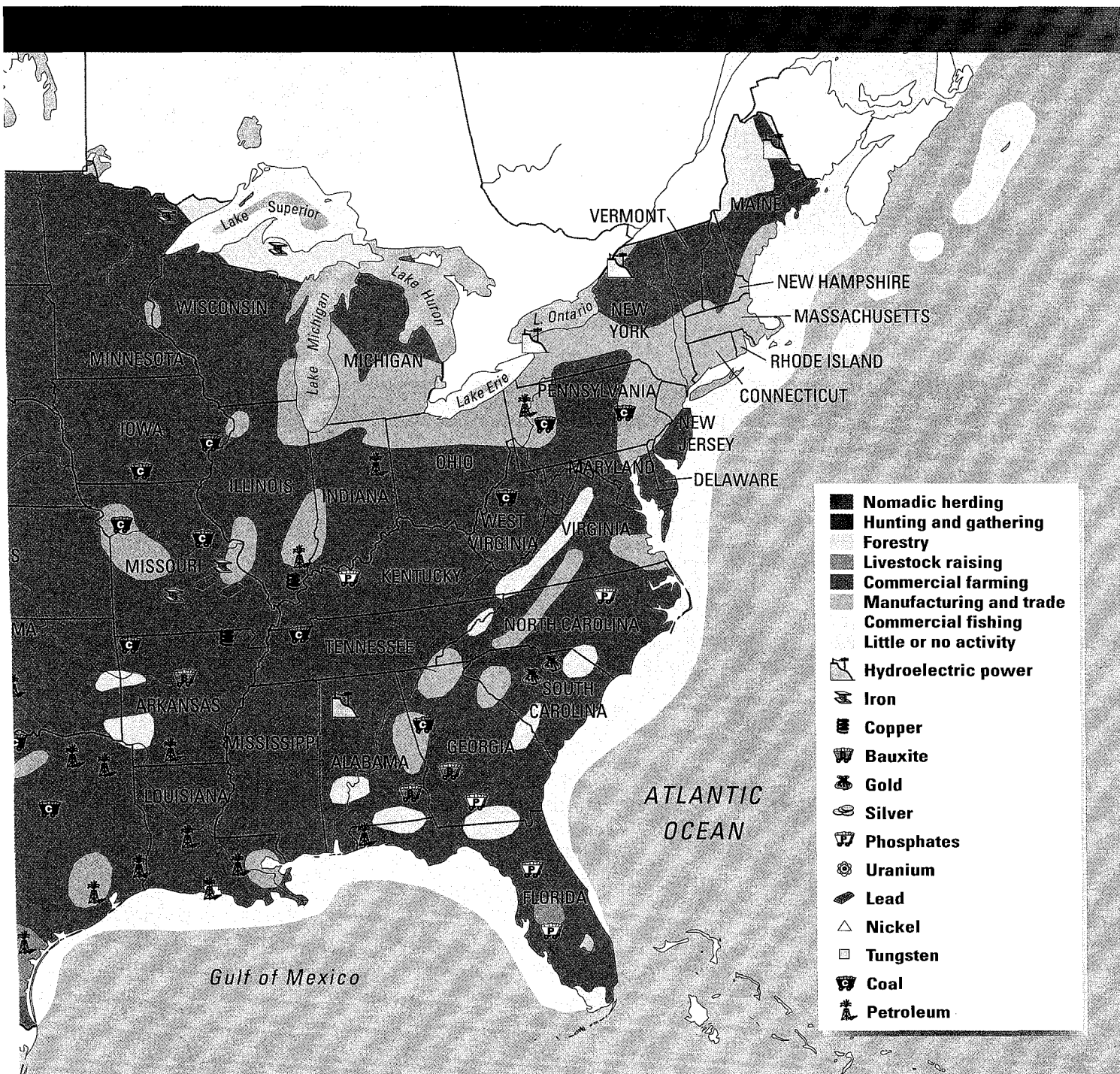
1. **Key Terms** (a) Why must people who earn an income file a tax return? (b) Who might benefit most from a progressive tax, people with a low income or people with a high income? (c) How do you qualify for a tax refund? (d) How do exemptions and deductions benefit taxpayers?
2. **Drawing Comparisons** What are the advantages of having a large amount of money withheld for taxes? What are the advantages of having the minimum amount withheld? Which would you choose, and why?

Natural Resources

Economists use the term *land* to refer to all the natural resources used to produce goods and services. The United States enjoys an abundance of natural resources.

United States Economic Activity and Resources

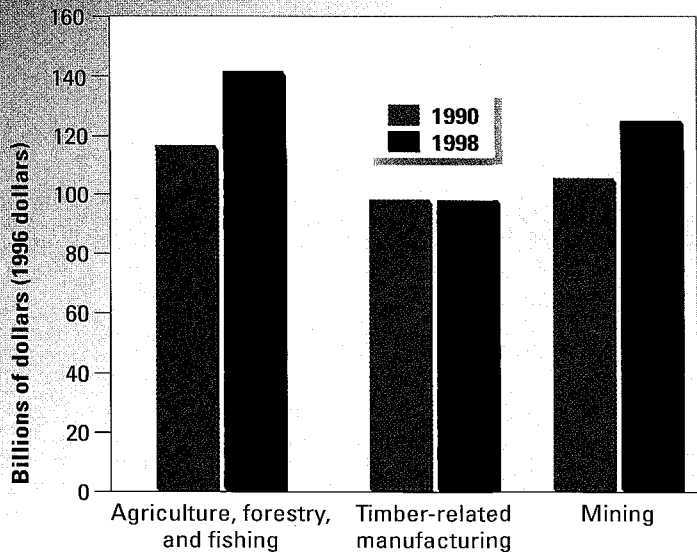






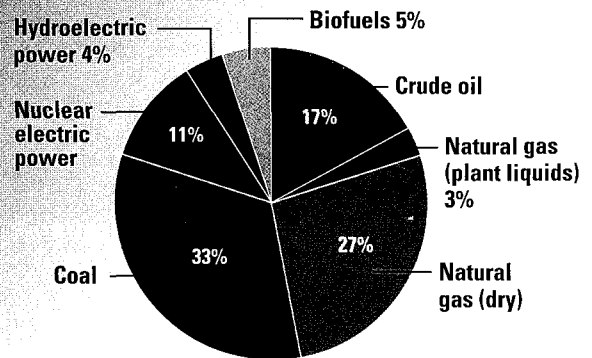
For periodic updates of the data included in the Databank, go to www.phschool.com

GDP of Agriculture, Forestry, Fishing, Timber-Related Manufacturing, and Mining



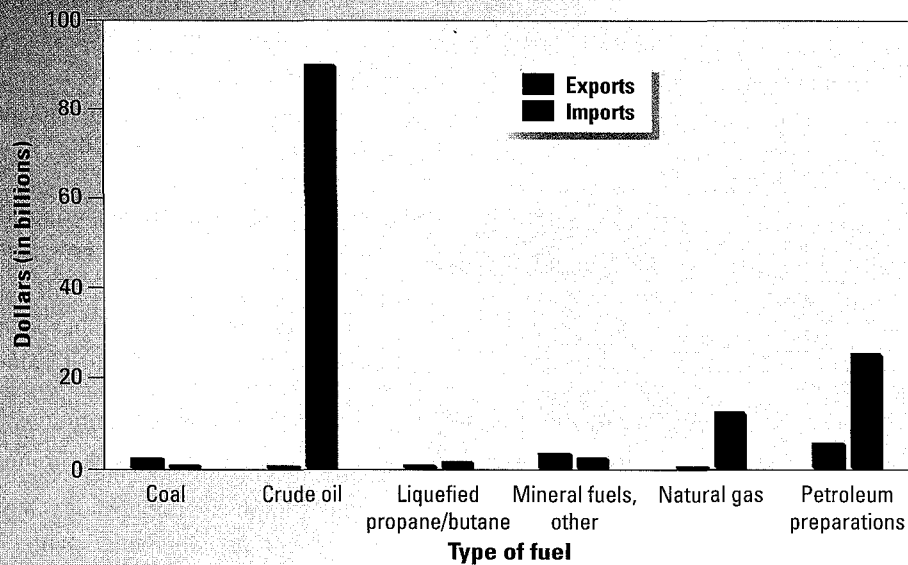
Source: *Statistical Abstract of the United States, 2000*

United States Energy Production, by Source, 1999



Note: Because of rounding, totals may be less or greater than 100 percent.
Source: *Statistical Abstract of the United States, 2000*

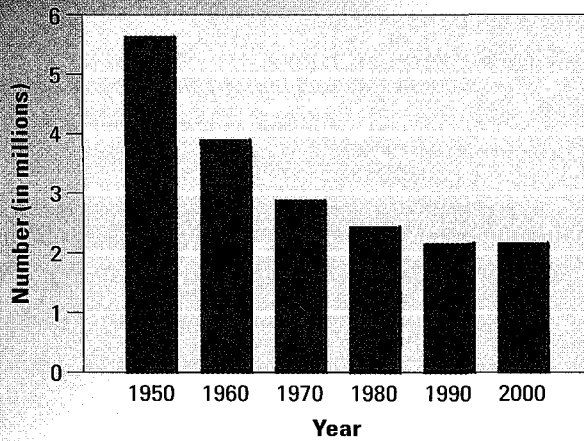
Mineral Fuels, Exports and Imports, 2000



Source: *The World Almanac and Book of Facts, 2002*

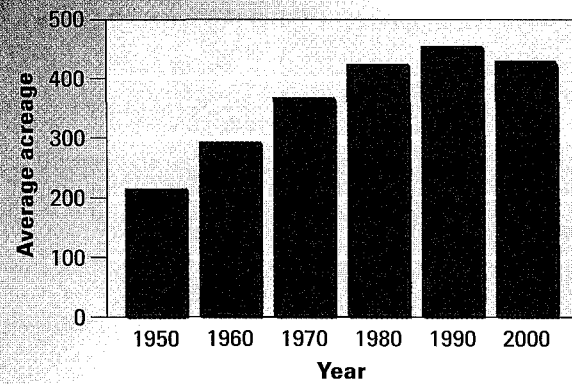


Number of Farms



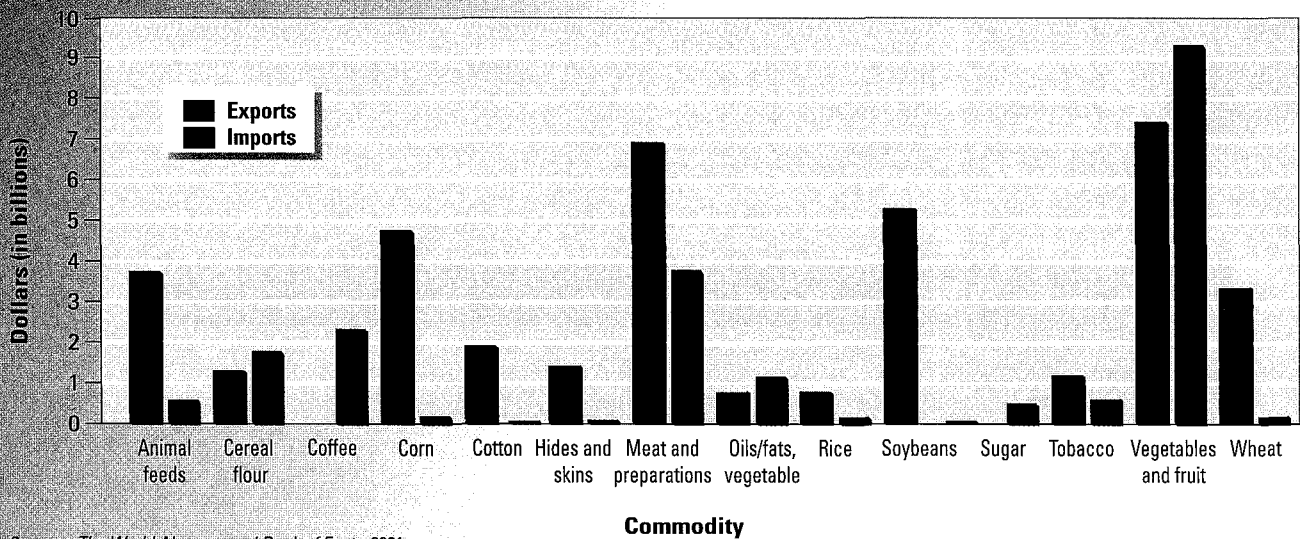
Source: U.S. Department of Agriculture

Size of Farms



Source: U.S. Department of Agriculture

Major Agricultural Exports and Imports, 2000



Source: *The World Almanac and Book of Facts*, 2001

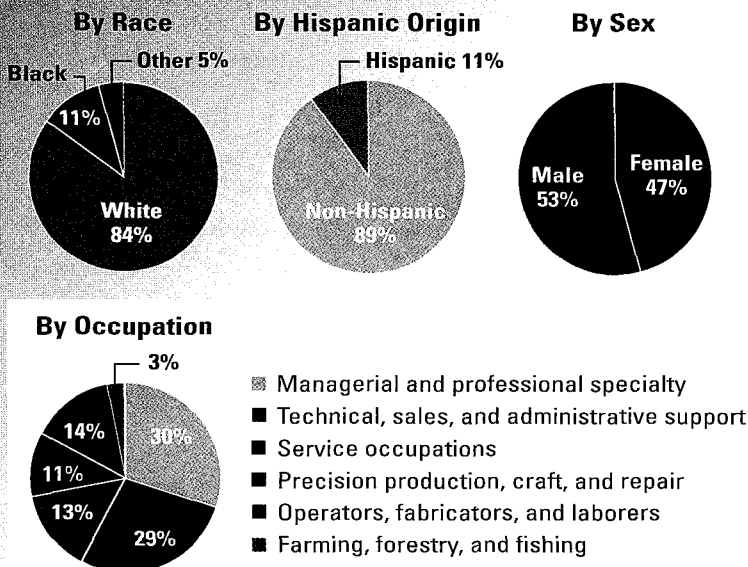


For periodic updates of the data included in the Databank, go to www.phschool.com

Americans at Work

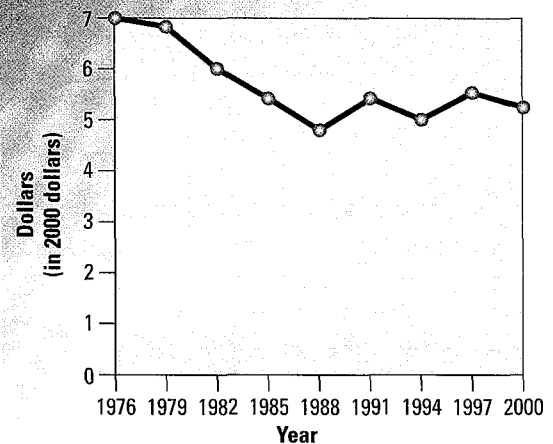
Most full-time employees work an average of about 43 hours each week. On average, the more education a person has, the higher his or her hourly wage.

Characteristics of the United States Work Force, 2000



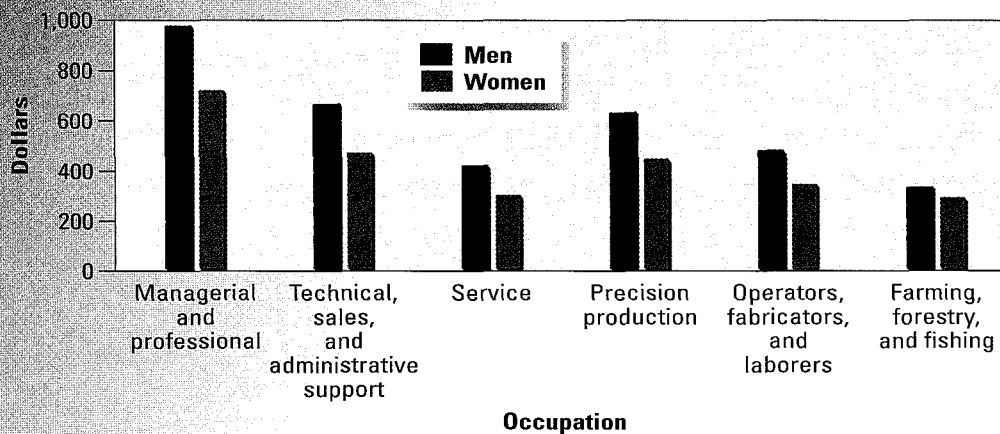
Source: Bureau of Labor Statistics

Real Value of the Minimum Wage



Source: U.S. Department of Labor

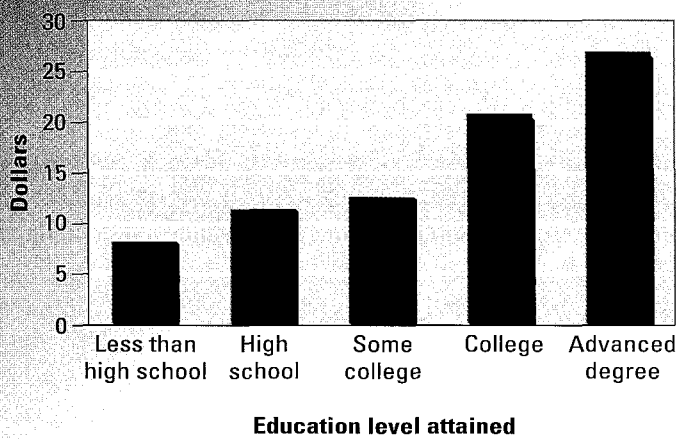
Median Weekly Earnings, by Occupation and Sex, 2000



Source: Bureau of Labor Statistics

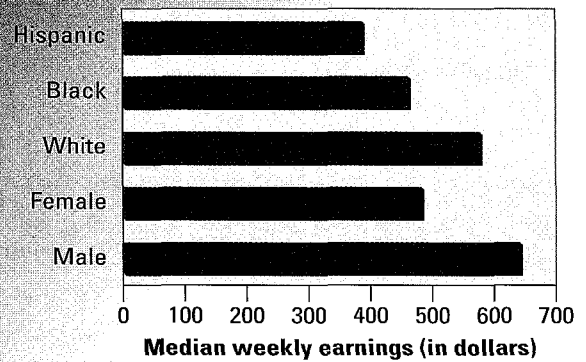


Average Real Hourly Wages, by Education Level, 1999



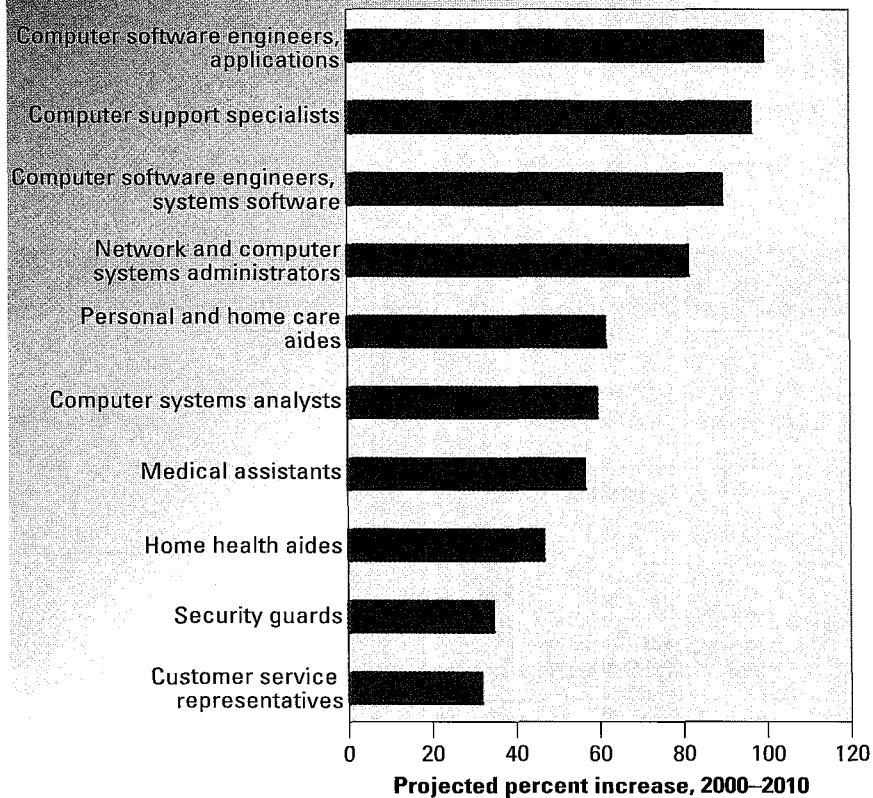
Source: Economic Policy Institute

Earnings Gap



Source: Bureau of Labor Statistics

Fastest-Growing Occupations



Source: Bureau of Labor Statistics

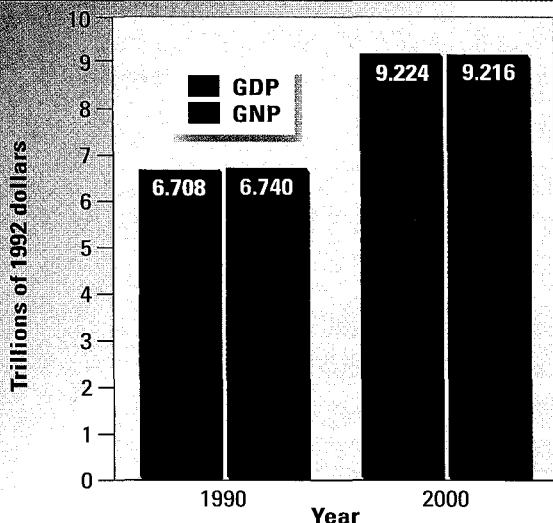


For periodic updates of the data included in the Databank, go to www.phschool.com

Economic Indicators

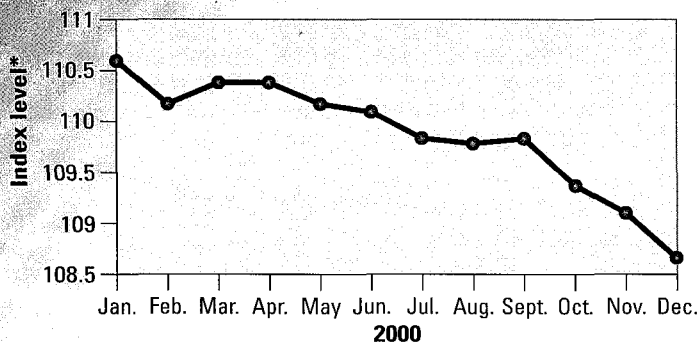
Economists use a variety of indicators to determine the health of the nation's economy.

Real Gross Domestic Product and Real Gross National Product



Source: Federal Reserve Bank of Dallas

Index of Leading Economic Indicators

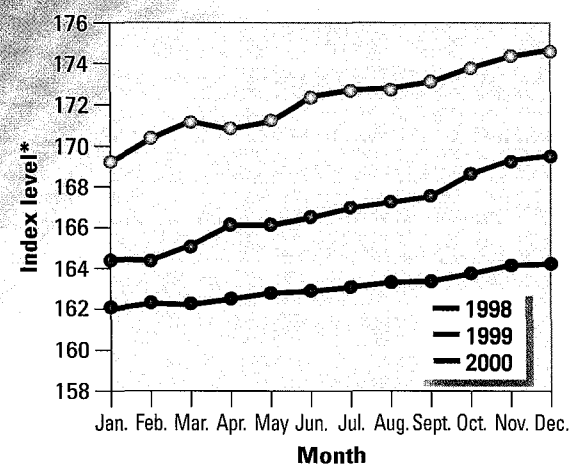


*1987=100

Source: Federal Reserve Bank of Dallas

Prentice Hall

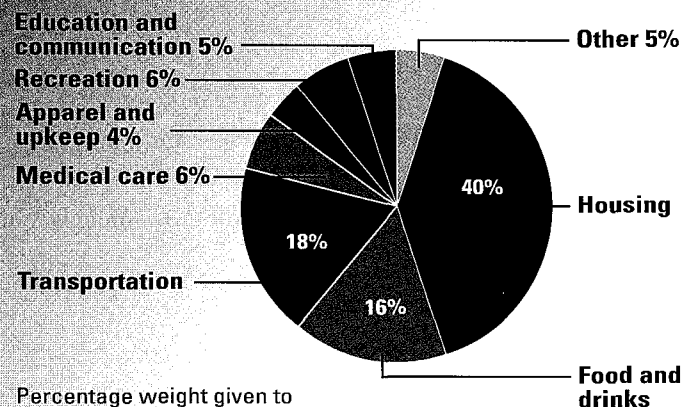
Consumer Price Index



*1982-1984=100

Source: Bureau of Labor Statistics

CPI Market Basket, 2000

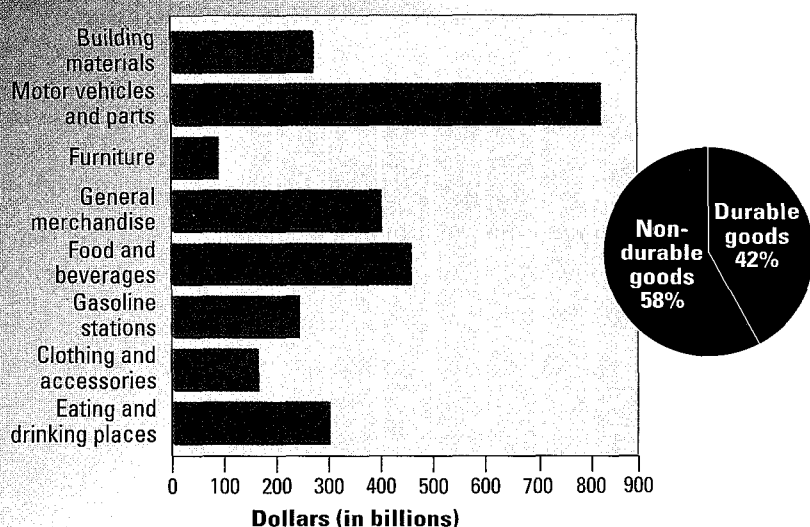


Percentage weight given to different goods and services in the Consumer Price Index

Source: Bureau of Labor Statistics

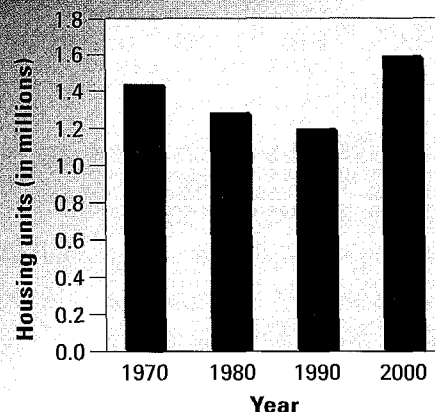


Retail Sales, by Type of Business, 2000



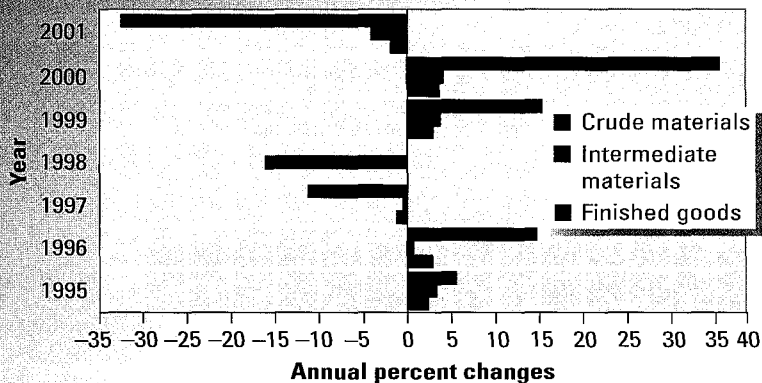
Note: Figures are for one year.
Source: U.S. Census Bureau

Housing Starts



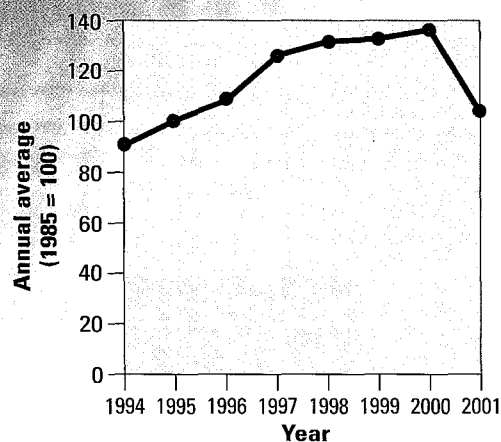
Sources: *Statistical Abstract of the United States, 2000*;
U.S. Census Bureau

Producer Price Index



Source: Bureau of Labor Statistics

Consumer Confidence Index



Sources: *The Wall Street Journal Almanac, 1999*;
Polling Report.com

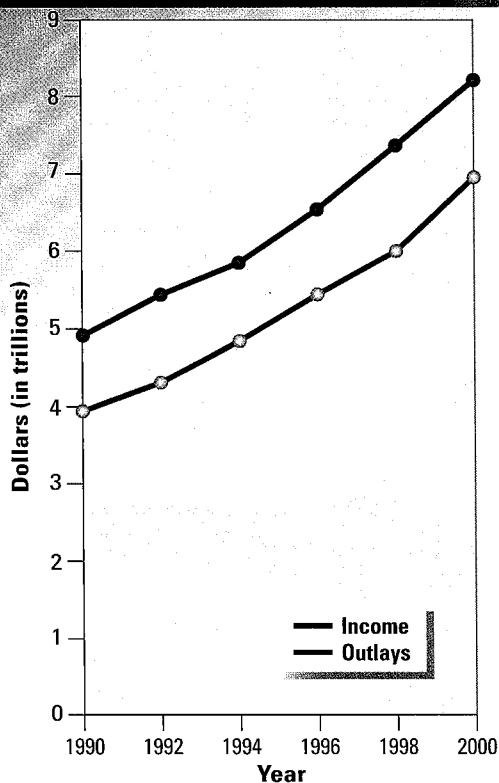


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The American Consumer

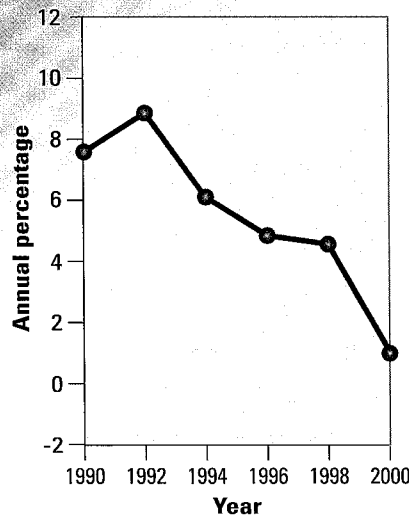
In the United States, spending and debt are on the rise while savings dwindle.

Personal Income and Outlays



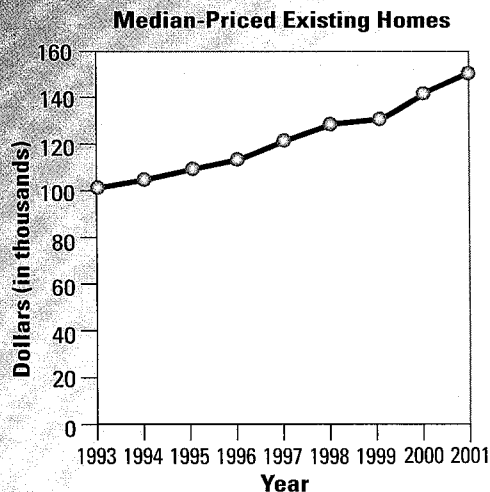
Source: Bureau of Economic Analysis

Personal Savings as a Percentage of Disposable Income

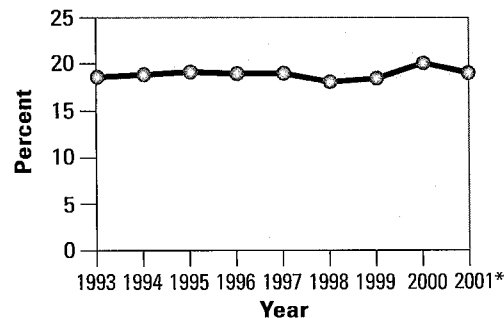


Source: Bureau of Economic Analysis

Housing Prices



Payment as Percentage of Median Income

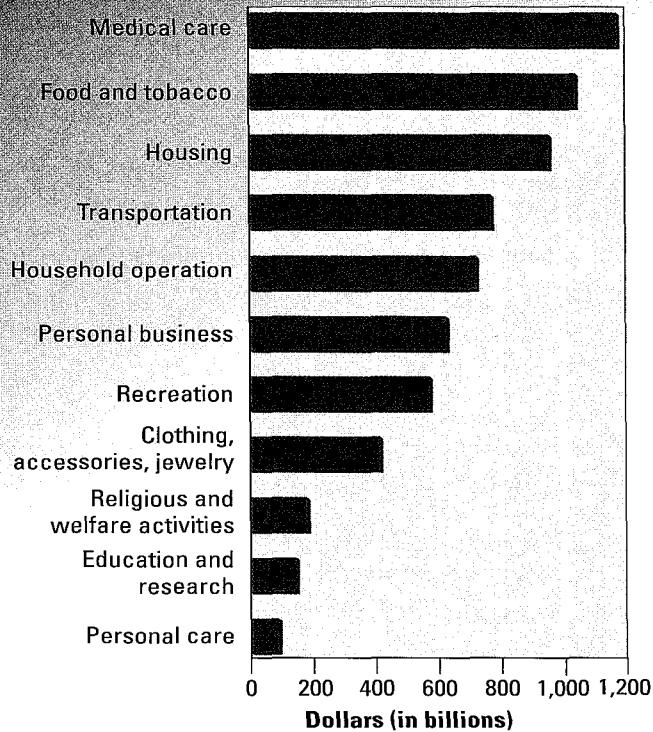


*preliminary

Source: *The World Almanac and Book of Facts*, 2002

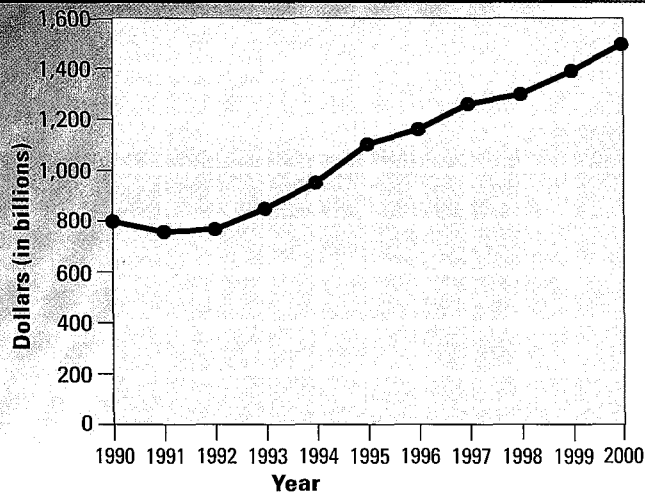


Selected Personal Consumption Expenditures, 2000



Source: Bureau of Economic Analysis

Consumer Credit Debt



Source: Government Printing Office

Per Capita Energy Consumption, 1999

Rank	State	Btu (in millions)
1	Hawaii	203.7
2	New York	235.4
3	California	252.7
4	Massachusetts	254.1
5	Florida	255.0
6	Arizona	255.3
7	Connecticut	255.7
8	Rhode Island	263.5
9	Maryland	266.5
10	Vermont	277.9
11	New Hampshire	279.2
12	Colorado	284.9
13	Pennsylvania	309.8
14	New Jersey	317.9
15	North Carolina	319.8
16	Illinois	320.1
17	Missouri	323.3
18	Virginia	324.1
19	Utah	325.8
20	South Dakota	326.0
21	Michigan	328.4
22	Oregon	334.5
23	Nevada	340.1
24	Wisconsin	344.8
25	Minnesota	350.8
26	Georgia	359.3
27	Nebraska	361.3
28	New Mexico	365.0
29	Delaware	370.0
30	Tennessee	377.6
31	Ohio	384.1
32	South Carolina	384.2
33	Washington	389.3
34	Iowa	390.9
35	Kansas	395.6
36	West Virginia	407.0
37	Oklahoma	410.2
38	Idaho	414.1
39	Maine	421.9
40	Mississippi	436.5
41	Alabama	458.8
42	Indiana	460.3
43	Kentucky	462.1
44	Montana	467.1
45	Arkansas	471.8
46	Texas	573.8
47	North Dakota	577.1
48	Louisiana	826.9
49	Wyoming	879.4
50	Alaska	1,121.5

Source: U.S. Department of Energy

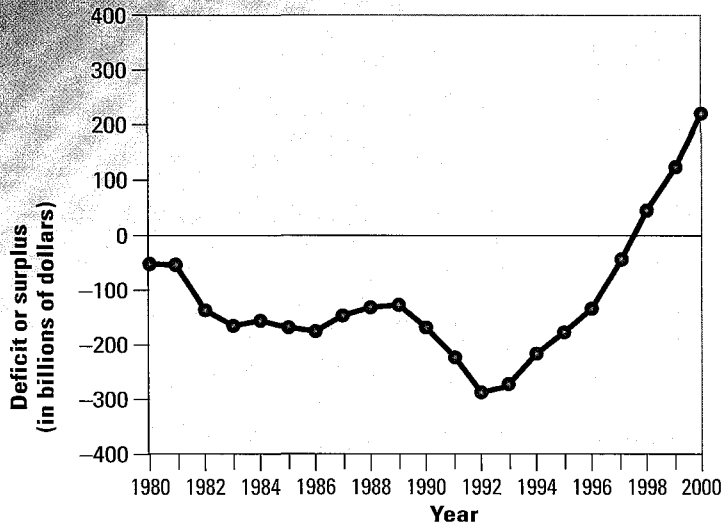


For periodic updates of the data included in the Databank, go to www.phschool.com

The United States Government

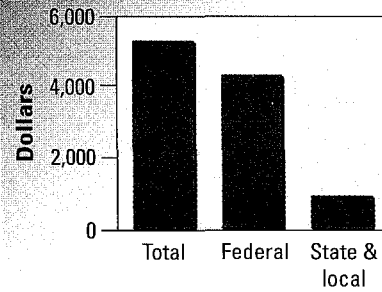
The government raises and spends trillions of dollars each year.

Federal Deficit/Surplus



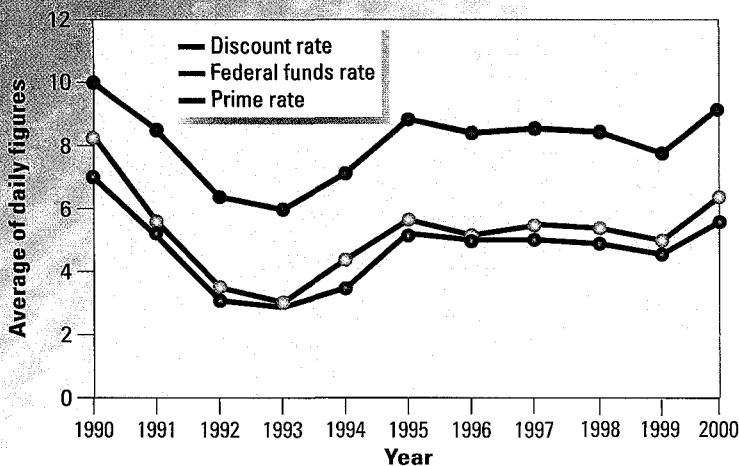
Source: Bureau of Economic Analysis

Income Taxes per Capita



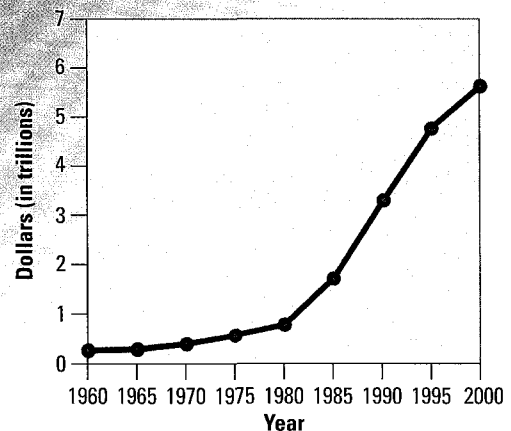
Sources: U.S. Census Department;
Department of the Treasury

Key Interest Rates



Source: Federal Reserve Board of Governors

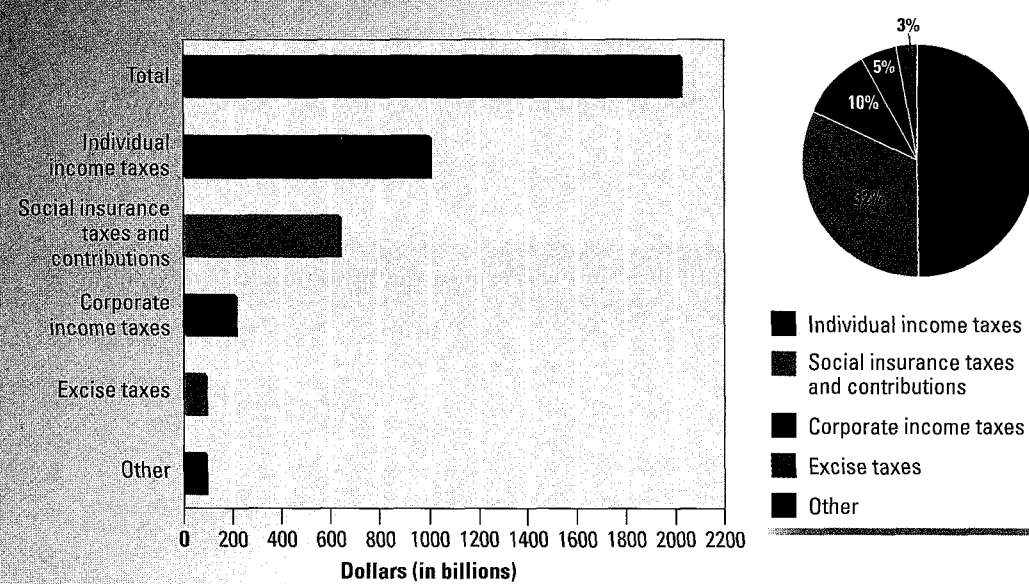
Federal Debt



Source: World Almanac and Book of Facts, 2002

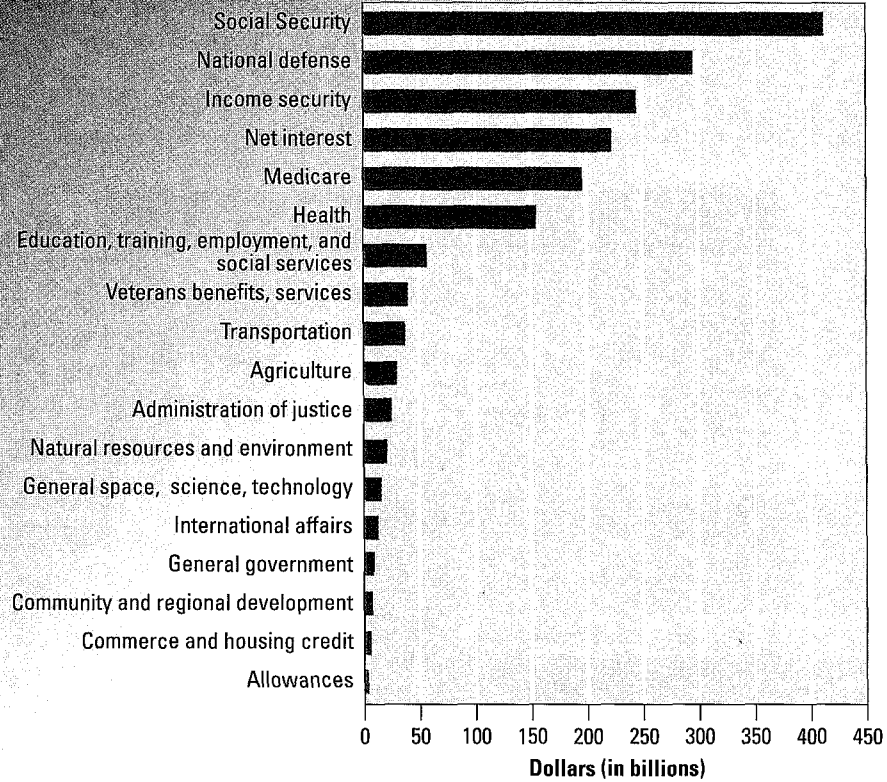


Government Receipts, by Source, 2000



Source: Department of the Treasury

Government Spending, by Category, 2000



Source: Office of Management and Budget

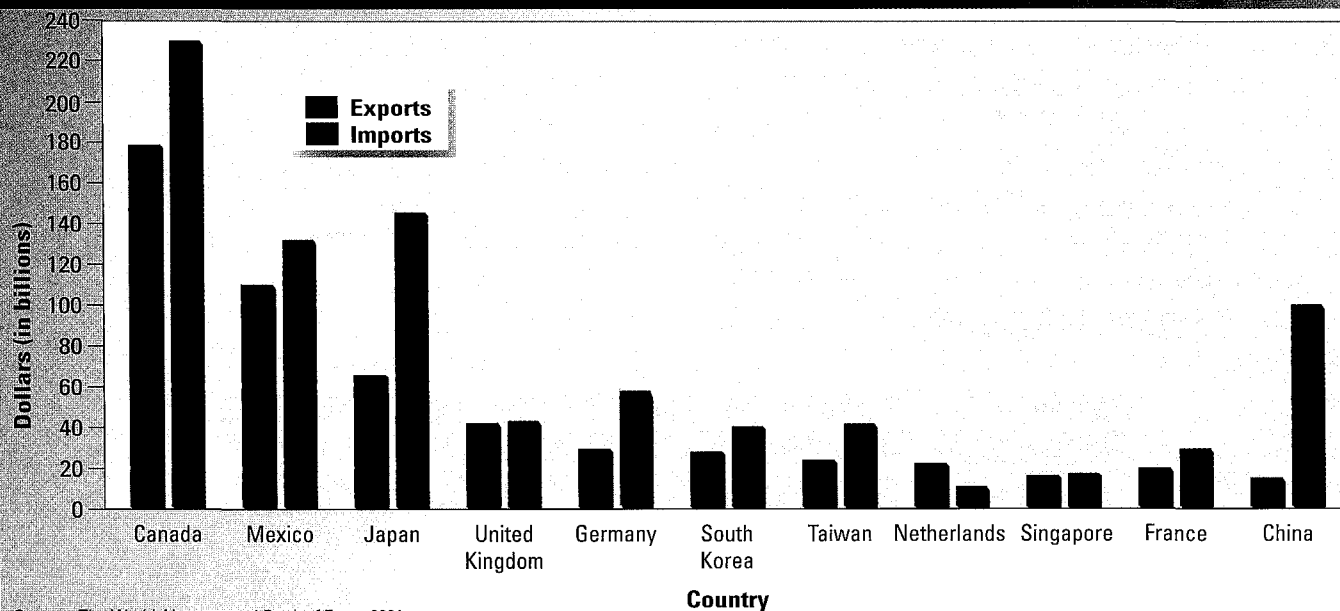


For periodic updates of the data included in the Databank, go to www.phschool.com

Trade

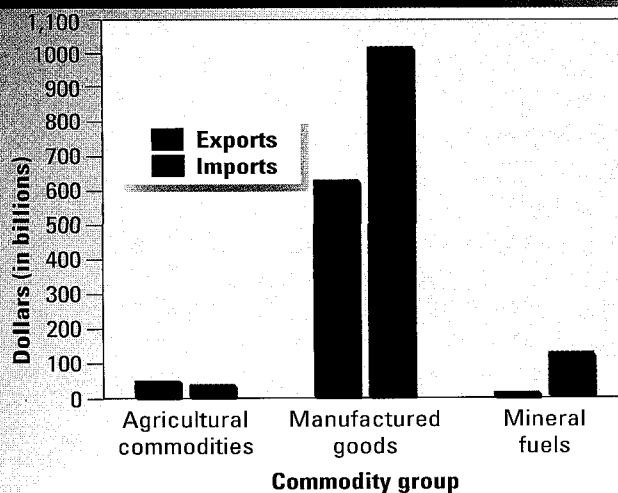
The United States is a major player in the world market. In recent years, however, it has imported more than it has exported, resulting in an annual trade deficit.

U.S. Exports and Imports, by Major Trading Partners, 2000



Source: *The World Almanac and Book of Facts, 2001*

Major Exports and Imports, 2000



Source: *The World Almanac and Book of Facts, 2002*



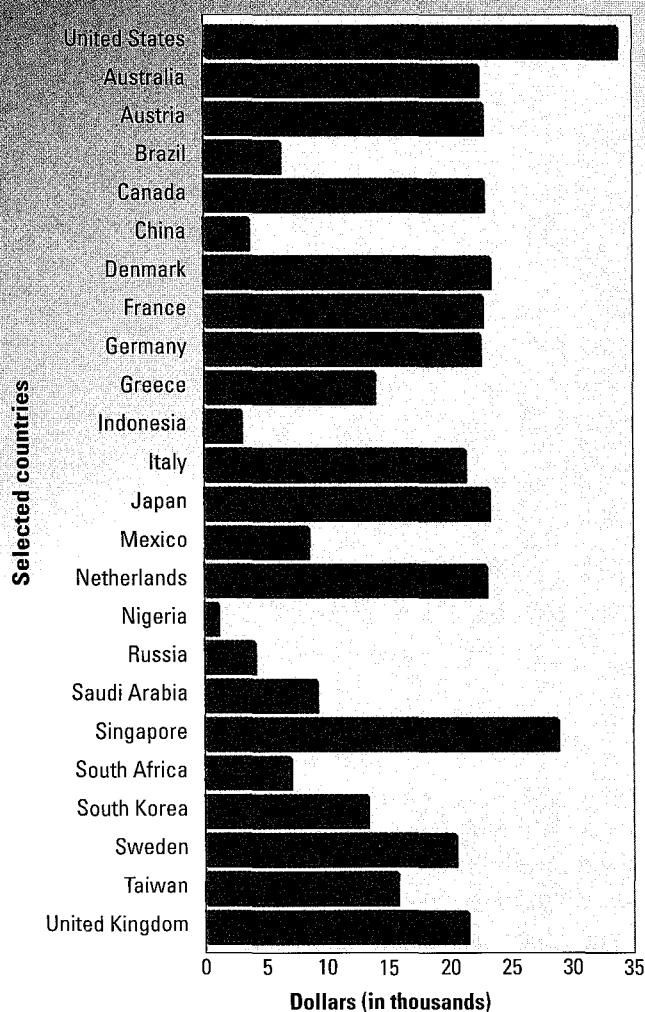


For periodic updates of the data included in the Databank, go to www.phschool.com

The United States and the World

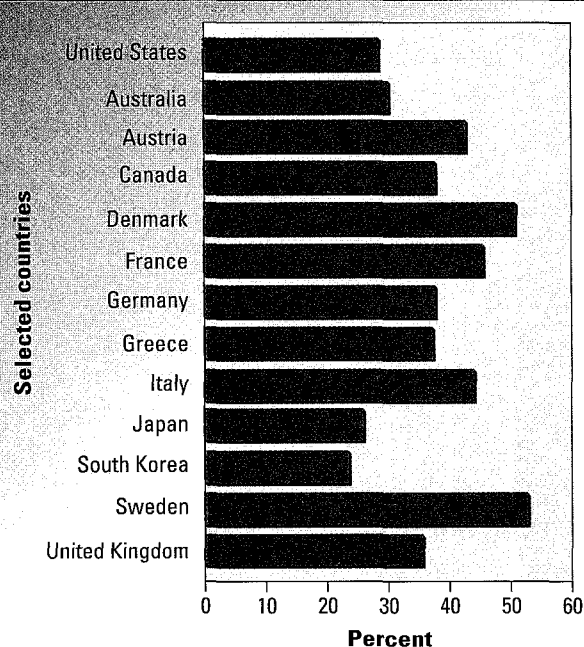
The United States enjoys one of the highest standards of living in the world and one of the lowest tax burdens of the industrialized nations.

Per Capita Gross Domestic Product



Source: *The World Almanac and Book of Facts, 2002*

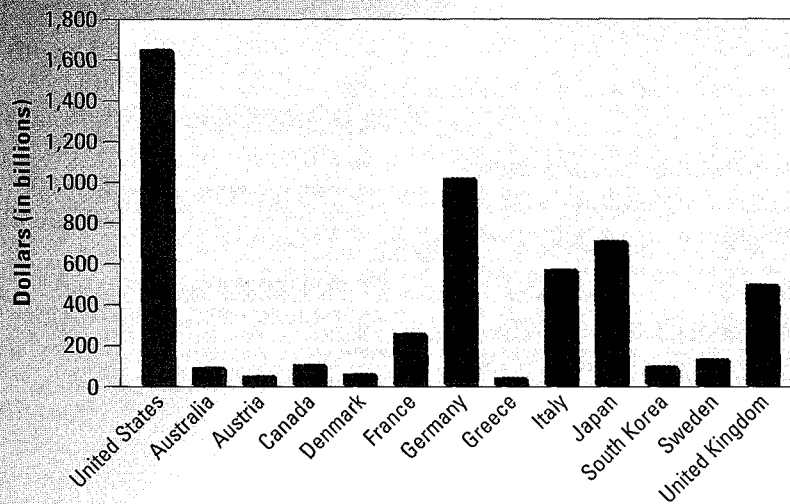
Taxes as Percent of GDP



Source: *Statistical Abstract of the United States, 1998*



National Budgets

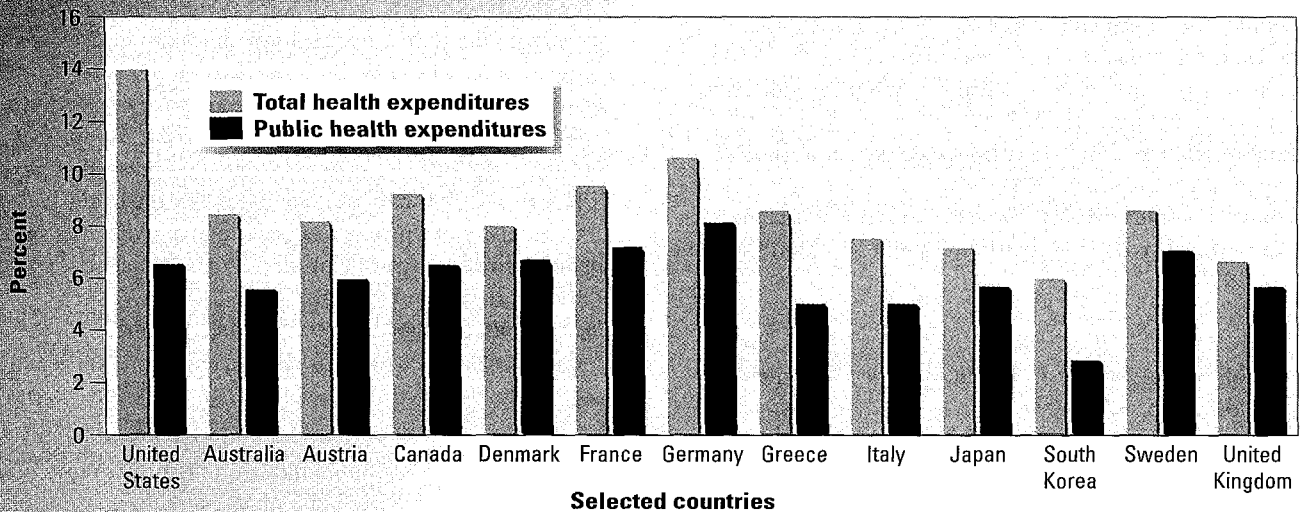


Selected countries

Note: Figures are for one year.

Source: *The World Almanac and Book of Facts, 2002*

Health Expenditures as Percent of GDP



Source: *Statistical Abstract of the United States, 2000*

Glossary

A

- absolute advantage** the ability to produce more of a given product using a given amount of resources (p. 443)
- aggregate demand** the amount of goods and services in the economy that will be purchased at all possible price levels (p. 307)
- aggregate supply** the total amount of goods and services in the economy available at all possible price levels (p. 307)
- annual percentage rate (APR)** a finance charge expressed as an annual rate (p. 514)
- antitrust laws** laws that encourage competition in the marketplace (p. 173)
- appreciation** an increase in the value of a currency (p. 459)
- appropriations bill** a bill that sets money aside for specific spending (p. 389)
- arable** suitable for producing crops (p. 480)
- arbitration** a settlement technique in which a third party reviews the case and imposes a decision that is legally binding for both sides (p. 234)
- articles of partnership** a partnership agreement (p. 191)
- assets** money and other valuables belonging to an individual or business (p. 192)
- authoritarian** requiring strict obedience to an authority, such as a dictator (p. 35)
- automatic stabilizer** a government program that changes automatically depending on GDP and a person's income (p. 399)

B

- balanced budget** budget in which revenues are equal to spending (pp. 376, 403)
- balance of trade** the relationship between a nation's imports and exports (p. 462)
- bank** an institution for receiving, keeping, and lending money (p. 250)
- bank holding company** a company that owns more than one bank (p. 421)
- bank run** widespread panic in which great numbers of people try to redeem their paper money (p. 252)
- barrier to entry** any factor that makes it difficult for a new firm to enter a market (p. 153)
- barter** the direct exchange of one set of goods or services for another (p. 243)
- bear market** a steady drop in the stock market over a period of time (p. 290)
- black market** a market in which goods are sold illegally (p. 142)

- block grant** federal funds given to states in lump sums (p. 350)
- blue-collar worker** someone who works in an industrial job, often in manufacturing, and who receives wages (p. 231)
- Board of Governors** the seven-member board that oversees the Federal Reserve System (p. 416)
- bond** a formal contract to repay borrowed money with interest at fixed intervals (pp. 197, 507)
- brokerage firm** a business that specializes in trading stocks (p. 287)
- budget** a plan for saving and spending (p. 502)
- budget deficit** a situation in which the government spends more than it takes in (p. 403)
- budget surplus** a situation in which the government takes in more than it spends (p. 403)
- bull market** a steady rise in the stock market over a period of time (p. 290)
- business association** nonprofit organization that promotes collective business interests for a city, state, or other geographical area, or for a group of similar businesses (p. 204)
- business cycle** a period of macroeconomic expansion followed by a period of contraction (pp. 57, 310)
- business franchise** a semi-independent business that pays fees to a parent company in return for the exclusive right to sell a certain product or service in a given area (p. 201)
- business license** authorization to start a business issued by the local government (p. 186)
- business organization** an establishment formed to carry on commercial enterprise (p. 185)

C

- call option** the option to buy shares of stock at a specified time in the future (p. 288)
- capital** any human-made resource that is used to create other goods or services (p. 4)
- capital budget** budget for major capital, or investment, expenditures (p. 375)
- capital deepening** process of increasing the amount of capital per worker (p. 320)
- capital gain** the difference between a higher selling price and a lower purchase price, resulting in a financial gain for the seller (pp. 286, 508)
- capital loss** the difference between a lower selling price and a higher purchase price, resulting in a financial loss for the seller (p. 286)

- capital market** market in which money is lent for periods longer than a year (p. 283)
- cartel** a formal organization of producers that agree to coordinate prices and production (p. 171)
- cash transfers** direct payments of money to eligible poor people (p. 69)
- census** an official count of the population (p. 334)
- central bank** bank that can lend to other banks in times of need (p. 254)
- centrally planned economy** economic system in which the central government makes all decisions on the production and consumption of goods and services (p. 27)
- certificate of incorporation** license to form a corporation issued by state government (p. 197)
- ceteris paribus** a Latin phrase that means “all other things held constant” (p. 85)
- check clearing** the process by which banks record whose account gives up money and whose account receives money when a customer writes a check (p. 421)
- check register** a booklet used to record checking account transactions (p. 504)
- classical economics** the idea that free markets can regulate themselves (p. 395)
- closely held corporation** corporation that issues stock to only a few people, often family members (p. 196)
- collateral** property used to secure a loan (p. 513)
- collective** large farm leased from the state to groups of peasant farmers (p. 36)
- collective bargaining** the process in which union and company representatives meet to negotiate a new labor contract (p. 233)
- collusion** an agreement among firms to divide the market, set prices, or limit production (p. 171)
- command economy** economic system in which the central government makes all decisions on the production and consumption of goods and services (p. 27)
- commercial bank** a bank that provides checking accounts, savings accounts, and money market accounts and that accepts time deposits (p. 511)
- commodity** a product that is the same no matter who produces it, such as petroleum, notebook paper, or milk (p. 152)
- commodity money** objects that have value in themselves as well as for use as money (p. 246)
- common stock** stock whose dividends are based on market fluctuations (p. 508)
- communism** a political system characterized by a centrally planned economy with all economic and political power resting in the hands of the central government (p. 35)
- comparative advantage** the ability to produce a product most efficiently given all the other products that could be produced (p. 444)
- competition** the struggle among producers for the dollars of consumers; the rivalry among sellers to attract customers while lowering costs (pp. 31, 53)
- complements** two goods that are bought and used together (p. 88)
- conglomerate** business combination merging more than three businesses that make unrelated products (p. 199)
- Congressional Budget Office (CBO)** government agency that provides economic data to Congress (p. 388)
- consumer cooperative** retail outlet owned and operated by consumers (p. 203)
- Consumer Price Index (CPI)** a price index determined by measuring the price of a standard group of goods meant to represent the typical “market basket” of a typical urban consumer (p. 339)
- consumer sovereignty** the power of consumers to decide what gets produced (p. 32)
- contingent employment** temporary jobs or part-time jobs (p. 215)
- continuum** a range with no clear divisions (p. 43)
- contract** a binding legal agreement (p. 523)
- contraction** period of economic decline marked by falling real GDP (p. 310)
- contractionary policies** fiscal policies, like lower spending and higher taxes, that reduce economic growth (p. 389)
- cooperative** a business organization owned and operated by a group of individuals for their mutual benefit (p. 202)
- copayment** part of the cost of a medical visit or procedure that the patient must pay out of pocket (p. 525)
- core inflation rate** the rate of inflation excluding the effects of food and energy prices (p. 340)
- corporate bond** a bond that a corporation issues to raise money in order to expand its business (p. 281)
- corporate income tax** a tax on the value of a corporation’s profits (p. 360)
- corporation** a legal entity owned by individual stockholders (p. 195)
- cost** to an economist, cost is an alternative that is given up as the result of a decision (p. 16)
- cost-push theory** theory that inflation occurs when producers raise prices to meet increased costs (p. 341)
- Council of Economic Advisers (CEA)** a group of three respected economists that could advise the President on economic policy (p. 400)
- coupon rate** the interest rate that a bond issuer will pay to a bondholder (p. 277)
- credit** any form of deferred payment (p. 512)
- credit bureau** organization providing information on individuals’ borrowing and bill-paying habits (p. 512)
- credit card** a card entitling its holder to buy goods and services based on the holder’s promise to pay for these goods and services (p. 261)
- creditor** person or institution to whom money is owed (p. 264)
- credit rating** an evaluation made by credit bureaus of a borrower’s overall credit history (p. 512)

credit union nonprofit bank owned by its members, often members of a single organization or trade union (p. 511)

crowding-out effect the loss of funds for private investment due to government borrowing (p. 406)

currency coins and paper bills used as money (p. 245)

customs duty a tax on certain items purchased abroad (p. 450)

cyclical unemployment unemployment that rises during economic downturns and falls when the economy improves (p. 333)

D

debit card a card used to withdraw money (p. 263)

debt rescheduling lengthening the time of debt repayment and forgiving, or dismissing, part of the loan (p. 488)

deductible amount of expenses that must be paid out of pocket before an insurer will cover any expenses (p. 524)

deductions variable amounts that you can subtract, or deduct, from your gross income (p. 366)

default failure to pay back a loan (p. 261)

deflation a sustained drop in the price level (p. 343)

demand the desire to own something and the ability to pay for it (p. 79)

demand curve a graphic representation of a demand schedule (p. 82)

demand deposit the money in checking accounts (p. 258)

demand-pull theory theory that inflation occurs when demand for goods and services exceeds existing supplies (p. 341)

demand schedule a table that lists the quantity of a good a person will buy at each different price (p. 81)

demand-side economics a school of economics that believes government spending and tax cuts help an economy by raising demand (p. 396)

depreciation the loss of the value of capital equipment that results from normal wear and tear (pp. 305, 520), or, a decrease in the value of a currency (p. 459)

depression a recession that is especially long and severe (p. 311)

deregulation the removal of some government controls over a market (p. 175)

developed nation country with a higher average level of material well-being (p. 471)

development the process by which a nation improves the economic, political, and social well-being of its people (p. 471)

differentiation making a product different from other similar products (p. 167)

diminishing marginal returns a level of production in which the marginal product of labor decreases as the number of workers increases (p. 109)

discount rate rate the Federal Reserve charges for loans to commercial banks (p. 422)

discouraged worker a person who wants a job but has given up looking (p. 336)

discretionary spending spending category about which government planners can make choices (p. 371)

disequilibrium describes any price or quantity not at equilibrium; when quantity supplied is not equal to quantity demanded in a market (p. 126)

diversification spreading out investments to reduce risk (p. 273)

dividend the portion of corporate profits paid out to stockholders (pp. 198, 508)

The Dow index that shows how certain stocks have traded (p. 290)

durable goods goods that last for a relatively long time, such as refrigerators, cars, and DVD players (p. 302)

E

easy money policy monetary policy that increases the money supply (p. 431)

economic growth steady, long-term increase in real GDP (p. 310)

economics the study of how people seek to satisfy their needs and wants by making choices (p. 3)

economic system the method used by a society to produce and distribute goods and services (p. 23)

economies of scale factors that cause a producer's average cost per unit to fall as output rises (p. 157)

efficiency using resources in such a way as to maximize the production of goods and services (p. 15)

elastic describes demand that is very sensitive to a change in price (p. 90)

elasticity of demand a measure of how consumers react to a change in price (p. 90)

elasticity of supply a measure of the way quantity supplied reacts to a change in price (p. 104)

enterprise zone area where companies can locate free of certain local, state, and federal taxes and restrictions (p. 350)

entitlement social welfare program that people are "entitled" to if they meet certain eligibility requirements (p. 372)

entrepreneur ambitious leader who combines land, labor, and capital to create and market new goods or services (p. 6)

equilibrium the point at which quantity demanded and quantity supplied are equal (p. 125)

equilibrium wage the wage rate that produces neither an excess supply of workers nor an excess demand for workers in the labor market (p. 220)

equities claims of ownership in a corporation (p. 285)

estate tax a tax on the estate, or total value of the money and property, of a person who has died (p. 368)

euro a single new currency that replaces individual currencies among members of the European Union (p. 454)

European Union (EU) a regional trade organization made up of European nations (p. 454)
excess demand when quantity demanded is more than quantity supplied (p. 126)
excess reserves in banking, reserves of cash more than the required amounts (p. 427)
excess supply when quantity supplied is more than quantity demanded (p. 128)
exchange rate the value of a foreign nation's currency in terms of the home nation's currency (p. 458)
excise tax a tax on the production or sale of a good (p. 118)
expansion a period of economic growth as measured by a rise in real GDP (p. 310)
expansionary policies fiscal policies, like higher spending and tax cuts, that encourage economic growth (p. 389)
export a good that is sent to another country for sale (p. 446)
externality an economic side effect of a good or service that generates benefits or costs to someone other than the person deciding how much to produce or consume (p. 65)

F

factor market market in which firms purchase the factors of production from households (p. 29)
factor payments the income people receive for supplying factors of production: land, labor, or capital (p. 24)
factors of production land, labor, and capital; the three groups of resources that are used to make all goods and services (p. 4)
featherbedding the practice of negotiating labor contracts that keep unnecessary workers on a company's payroll (p. 225)
Federal Advisory Council (FAC) the research arm of the Federal Reserve (p. 418)
federal budget a plan for the federal government's revenues and spending for the coming year (p. 387)
Federal Deposit Insurance Corporation (FDIC) the government agency that insures customer deposits if a bank fails (p. 255)
federal funds rate interest rate banks charge each other for loans (p. 422)
Federal Open Market Committee (FOMC) Federal Reserve committee that makes key decisions about interest rates and the growth of the United States money supply (p. 418)
Federal Reserve Districts the twelve banking districts created by the Federal Reserve Act (p. 417)
Federal Reserve note the national currency we use today in the United States (p. 255)
Federal Reserve System the nation's central banking system (p. 254)
fiat money money that has value because the government has ordered that it is an acceptable means to pay debts (p. 248)
FICA taxes that fund Social Security and Medicare (p. 367)
finance charge interest accrued on, and fees charged for, some forms of credit (p. 513)
financial asset claim on the property or income of a borrower (p. 272)
financial intermediary institution that helps channel funds from savers to borrowers (p. 272)
financial system the system that allows the transfer of money between savers and borrowers (p. 272)
firm an organization that uses resources to produce a product, which it then sells (p. 29)
fiscal policy the use of government spending and revenue collection to influence the economy (p. 387)
fiscal year a twelve-month period that can begin on any date (p. 388)
fixed cost a cost that does not change, no matter how much of a good is produced (p. 111)
fixed exchange-rate system a currency system in which governments try to keep the values of their currencies constant against one another (p. 461)
fixed income income that does not increase even when prices go up (p. 343)
flexible exchange-rate system a currency system that allows the exchange rate to be determined by supply and demand (p. 462)
food stamps government-issued coupons that recipients exchange for food (p. 348)
foreign direct investment the establishment of an enterprise by a foreigner (p. 486)
foreign exchange market the banks and other financial institutions that facilitate the buying and selling of foreign currencies (p. 460)
foreign investment investment originating from other countries (p. 485)
foreign portfolio investment the entry of funds into a country when foreigners make purchases in the country's stock and bond markets (p. 486)
fractional reserve banking a banking system that keeps only a fraction of funds on hand and lends out the remainder (p. 260)
franchise the right to sell a good or service within an exclusive market (p. 159)
free contract the concept that people may decide what agreements they want to enter into (p. 53)
free enterprise an economic system characterized by private or corporate ownership of capital goods; investments that are determined by private decision rather than by state control; and determined in a free market (p. 43)
free rider someone who would not choose to pay for a certain good or service, but who would get the benefits of it anyway if it were provided as a public good (p. 63)
free-trade zone a region where a group of countries has agreed to reduce or eliminate trade barriers (p. 454)
frictional unemployment unemployment that occurs when people take time to find a job (p. 331)

fringe benefit payment other than wages or salaries (p. 188)
full employment the level of employment reached when there is no cyclical unemployment (p. 335)
futures contracts to buy or sell at a specific date in the future at a price specified today (p. 288)

G

general partnership partnership in which partners share equally in both responsibility and liability (p. 190)
gift tax a tax on money or property that one living person gives to another (p. 368)
glasnost a policy of "openness" introduced into the Soviet Union in the late 1980s (p. 491)
glass ceiling an unofficial, invisible barrier that prevents women and minorities from advancing in businesses dominated by white men (p. 224)
gold standard a monetary system in which paper money and coins are equal in value to a certain amount of gold (p. 253)
goods physical objects such as clothes or shoes (p. 3)
government monopoly a monopoly created by the government (p. 159)
Great Crash the collapse of the stock market in 1929 (p. 290)
Great Depression the severe economic decline that began in 1929 and lasted for more than a decade (p. 255)
greenback paper currency issued by the North during the Civil War (p. 253)
gross domestic product (GDP) the total value of all final goods and services produced in a particular economy; the dollar value of all final goods and services produced within a country's borders in a given year (pp. 57, 301)
gross national product (GNP) the annual income earned by U.S.-owned firms and U.S. residents (p. 305)
guns or butter a phrase that refers to the trade-off that nations face when choosing whether to produce more or less military or consumer goods (p. 8)

H

heavy industry industry that requires a large capital investment and that produces items used in other industries (p. 37)
household a person or a group of people living in the same residence (p. 29)
horizontal merger the combination of two or more firms competing in the same market with the same good or service (p. 199)
human capital the skills and knowledge gained by a worker through education and experience (p. 5)
hyperinflation inflation that is out of control; very high inflation (pp. 341, 404)

I

imperfect competition a market structure that does not meet the conditions of perfect competition (p. 153)

import a good that is brought in from another country for sale (p. 446)
import quota a limit on the amount of a good that can be imported (p. 449)
incentive an expectation that encourages people to behave in a certain way (p. 31)
incidence of a tax the final burden of a tax (p. 363)
income distribution how the nation's total income is distributed among its population (p. 348)
income effect the change in consumption resulting from a change in real income (p. 80)
increasing marginal returns a level of production in which the marginal product of labor increases as the number of workers increases (p. 109)
individual income tax a tax on a person's earnings (p. 360)
industrialization the extensive organization of an economy for the purpose of manufacturing (p. 472)
inelastic describes demand that is not very sensitive to a change in price (p. 90)
infant industry a new industry (p. 452)
infant mortality rate the number of deaths that occur in the first year of life per 1,000 live births (p. 474)
inferior good a good that consumers demand less of when their incomes increase (p. 87)
inflation a general increase in prices (p. 338)
inflation rate the percentage rate of change in price level over time (p. 340)
infrastructure the services and facilities necessary for an economy to function (p. 474)
in-kind benefits goods and services provided for free or at greatly reduced prices (p. 70)
inside lag delay in implementing monetary policy (p. 432)
interest the price paid for the use of borrowed money (p. 261), or, money earned by deposited funds (p. 506)
interest group a private organization that tries to persuade public officials to act or vote according to group members' interests (p. 54)
intermediate goods goods used in the production of final goods (p. 301)
internal financing financing derived from the savings of a country's citizens (p. 485)
Internal Revenue Service agency within the U.S. Department of the Treasury responsible for interpretation and application of federal tax law (p. 528)
international free trade agreement agreement that results from cooperation between at least two countries to reduce trade barriers and tariffs and to trade with each other (p. 453)
International Monetary Fund (IMF) organization formed to stabilize international exchange rates and facilitate development (p. 488)
investment the act of redirecting resources from being consumed today so that they may create benefits in the future; the use of assets to earn income or profit (p. 271)

invisible hand term economists use to describe the self-regulating nature of the marketplace (p. 32)

J

junk bond a lower-rated, potentially higher-paying bond (p. 281)

K

Keynesian economics form of demand-side economics that encourages government action to increase or decrease demand and output (p. 396)

L

labor the effort that people devote to a task for which they are paid (p. 4)

labor force all nonmilitary people who are employed or unemployed (p. 211)

labor union an organization of workers that tries to improve working conditions, wages, and benefits for its members (p. 225)

laissez faire the doctrine that states that government generally should not intervene in the marketplace (p. 41)

land natural resources that are used to make goods and services (p. 4)

law of comparative advantage the idea that a nation is better off when it produces goods and services for which it has a comparative advantage (p. 444)

law of demand economic law that states that consumers buy more of a good when its price decreases and less when its price increases (p. 79)

law of increasing costs as we shift factors of production from making one good or service to another, the cost of producing the second item increases (p. 17)

law of supply tendency of suppliers to offer more of a good at a higher price (p. 101)

leading indicators key economic variables that economists use to predict a new phase of the business cycle (p. 314)

learning effect the theory that education increases productivity and results in higher wages (p. 214)

lease a rental agreement between landlord and tenant (p. 523)

legal equality the concept of giving everyone the same legal rights (p. 53)

less developed country nation with a low level of material well-being (p. 471)

liability the legally bound obligation to pay debts (p. 187)

license a government-issued right to operate a business (p. 159)

life expectancy the average expected life span of an individual (p. 473)

light industry the production of small consumer goods (p. 494)

limited liability partnership (LLP) partnership in which all partners are limited partners (p. 190)

limited partnership partnership in which only one partner is required to be a general partner (p. 190)

liquidity the ability to be used as, or directly converted to, cash (p. 258)

literacy rate the proportion of the population over age 15 that can read and write (p. 473)

Lorenz Curve the curve that illustrates income distribution (p. 349)

M

macroeconomics the study of the behavior and decision making of entire economies (p. 57)

malnutrition inadequate nutrition (p. 481)

mandatory spending spending on certain programs that is mandated, or required, by existing law (p. 371)

marginal cost the cost of producing one more unit of a good (p. 111)

marginal product of labor the change in output from hiring one additional unit of labor (p. 108)

marginal revenue the additional income from selling one more unit of a good; sometimes equal to price (p. 112)

market an arrangement that allows buyers and sellers to exchange things (p. 28)

market basket a representative collection of goods and services (p. 339)

market demand schedule a table that lists the quantity of a good all consumers in a market will buy at every different price (p. 82)

market economy economic system in which decisions on production and consumption of goods and services are based on voluntary exchange in markets (p. 27)

market failure a situation in which the market does not distribute resources efficiently (p. 64)

market power the ability of a company to change prices and output like a monopolist (p. 163)

market supply curve a graph of the quantity supplied of a good by all suppliers at different prices (p. 104)

market supply schedule a chart that lists how much of a good all suppliers will offer at different prices (p. 103)

maturity the time at which payment to a bondholder is due (p. 277)

mediation a settlement technique in which a neutral mediator meets with each side to try to find a solution that both sides will accept (p. 234)

Medicaid entitlement program that benefits low-income families, some people with disabilities, and elderly people in nursing homes (p. 373)

Medicare a national health insurance program that helps pay for health care for people over age 65 or who have certain disabilities (p. 368)

medium of exchange anything that is used to determine value during the exchange of goods and services (p. 243)

member bank bank that belongs to the Federal Reserve System (p. 254)

merger combination of two or more companies into a single firm (p. 174)

microeconomics the study of the economic behavior and decision making of small units, such as individuals, families, and businesses (p. 57)

minimum balance an amount of money required in a bank account to avoid fees (p. 504)

minimum wage a minimum price that an employer can pay a worker for an hour of labor (p. 130)

mixed economy economic system that combines the free market with limited government involvement (p. 27)

monetarism the belief that the money supply is the most important factor in macroeconomic performance (p. 430)

monetary policy the actions the Federal Reserve takes to influence the level of real GDP and the rate of inflation in the economy (p. 417)

money anything that serves as a medium of exchange, a unit of account, and a store of value (p. 243)

money creation the process by which money enters into circulation (p. 425)

money market market in which money is lent for periods less than a year (p. 283)

money market mutual fund a fund that pools money from small savers to purchase short-term government and corporate securities (p. 259)

money multiplier formula amount of new money that will be created with each demand deposit; $1 \div \text{RRR}$ (p. 426)

money supply all the money available in the United States economy (p. 258)

monopolistic competition a market structure in which many companies sell products that are similar but not identical (p. 166)

monopoly a market dominated by a single seller (p. 156)

mortgage a specific type of loan that is used to buy real estate (p. 261)

multinational corporation (MNC) large corporation that produces and sells its goods and services throughout the world (p. 199)

multiplier effect the idea that every dollar of spending creates more than one dollar in economic activity (p. 397)

municipal bond a bond issued by a state or local government or municipality to finance such improvements as highways, state buildings, libraries, parks, and schools (p. 281)

mutual fund fund that pools the savings of many individuals and invests this money in a variety of stocks, bonds and other financial assets (pp. 272, 509)

N

NAFTA agreement that will eliminate all tariffs and other trade barriers between Canada, Mexico, and the United States (p. 454)

Nasdaq American market for OTC securities (p. 288)

national bank a bank chartered, or licensed, by the national government (p. 251)

national debt all the money the federal government owes to bondholders (p. 405)

national income accounting a system that collects macroeconomic statistics on production, income, investment, and savings (p. 301)

natural monopoly a market that runs most efficiently when one large firm supplies all of the output (p. 158)

natural rate of population increase the difference between the birth rate and the death rate (p. 478)

need something like air, food, or shelter that is necessary for survival (p. 3)

net worth total assets minus total liabilities (p. 422)

newly industrialized country (NIC) less developed country that has shown significant improvement in the measures of development (p. 475)

nominal GDP gross domestic product measured in current prices (p. 304)

nondurable goods goods that last a short period of time, such as food, light bulbs, and sneakers (p. 302)

nonprice competition a way to attract customers through style, service, or location, but not a lower price (p. 167)

nonprofit organization institution that functions much like a business, but does not operate for the purpose of generating profits (p. 203)

normal good a good that consumers demand more of when their incomes increase (p. 86)

O

Office of Management and Budget (OMB) government office that manages the federal budget (p. 388)

oligopoly a market structure in which a few large firms dominate a market (p. 169)

open market operations the buying and selling of government securities to alter the supply of money (p. 428)

open opportunity the concept that everyone can compete in the marketplace (p. 53)

operating budget budget for day-to-day expenses (p. 375)

operating cost the cost of operating a facility such as a store or factory (p. 113)

opportunity cost the most desirable alternative given up as the result of a decision (p. 9)

options contracts that give investors the choice to buy or sell stock and other financial assets (p. 288)

OTC market the over-the-counter market; an electronic marketplace for stock that is not listed or traded on an organized exchange (p. 288)

outside lag the time it takes for monetary policy to have an effect (p. 432)

P

partnership a business organization owned by two or more persons who agree on a specific division of responsibilities and profits (p. 190)

- par value** the amount that an investor pays to purchase a bond and that will be repaid to investor at maturity (p. 278)
- patent** a license that gives the inventor of a new product the exclusive right to sell it for a certain period of time (p. 159)
- patriotism** the love of one's country; the passion that inspires a person to serve his or her country (p. 25)
- payroll withholding statement** document attached to a paycheck detailing the amount of money withheld (p. 528)
- peak** the height of an economic expansion, when real GDP stops rising (p. 310)
- per capita gross domestic product (per capita GDP)** a nation's gross domestic product (GDP) divided by its total population (p. 472)
- perestroika** Soviet leader Mikhail Gorbachev's plan for economic restructuring (p. 492)
- perfect competition** a market structure in which a large number of firms all produce the same product (p. 151)
- personal exemption** set amount that you subtract from your gross income for yourself, your spouse, and any dependents (p. 366)
- personal property** possessions such as jewelry, furniture, and boats (p. 378)
- physical capital** all human-made goods that are used to produce other goods and services; tools and buildings (p. 4)
- population growth rate** the increase in a country's population in a given year, expressed as a percentage of the population figure at the start of the year (p. 478)
- portfolio** a collection of financial assets (p. 274)
- poverty rate** the percentage of people who live in households with income below the official poverty line (p. 346)
- poverty threshold** an income level below which income is insufficient to support families or households (pp. 67, 345)
- predatory pricing** selling a product below cost to drive competitors out of the market (p. 173)
- preferred stock** stock whose dividends are based on a fixed annual rate (p. 508)
- premium** money paid to an insurance company for a policy (p. 524)
- price ceiling** a maximum price that can be legally charged for a good or service (p. 128)
- price discrimination** division of customers into groups based on how much they will pay for a good (p. 163)
- price fixing** an agreement among firms to charge one price for the same good (p. 171)
- price floor** a minimum price for a good or service (p. 128)
- price index** a measurement that shows how the average price of a standard group of goods changes over time (p. 339)
- price level** the average of all prices in the economy (p. 307)
- price war** a series of competitive price cuts that lowers the market price below the cost of production (p. 171)
- primary market** market for selling financial assets that can only be redeemed by the original holder (p. 283)
- prime rate** rate of interest banks charge on short-term loans to their best customers (p. 427)
- principal** the amount of money borrowed (p. 261)
- private property** property owned by individuals or companies, not by the government or the people as a whole (p. 41)
- private property rights** the concept that people have the right and privilege to control their own possessions as they wish (p. 53)
- private sector** the part of the economy that involves the transactions of individuals and businesses (p. 63)
- privatization** the sale or transfer of state-owned businesses to individuals (p. 489)
- privatize** to sell to individuals state-run firms, which are then allowed to compete with one another in the marketplace (p. 43)
- producer cooperative** agricultural marketing cooperatives that help members sell their products (p. 203)
- product market** the market in which households purchase the goods and services that firms produce (p. 30)
- production possibilities curve** a curve that shows alternative ways to use an economy's resources (p. 13)
- production possibilities frontier** the line on a production possibilities graph that shows the maximum possible output for a specific economy (p. 14)
- productive capacity** the maximum output that an economy can produce without big increases in inflation (p. 396)
- productivity** value of output produced (p. 219)
- professional labor** labor that requires advanced skills and education (p. 221)
- professional organization** nonprofit organization that works to improve the image, working conditions, and skill levels of people in particular occupations (p. 203)
- profit** the financial gain made in a transaction (p. 29)
- profit motive** the force that encourages people and organizations to improve their material well-being (p. 53)
- progressive tax** a tax for which the percentage of income paid in taxes increases as income increases (p. 361)
- property tax** a tax on the value of a property (p. 360)
- proportional tax** a tax for which the percentage of income paid in taxes remains the same for all income levels (p. 361)
- prospectus** an investment report to potential investors (p. 274)
- protectionism** the use of trade barriers to protect a nation's industries from foreign competition (p. 452)
- public disclosure laws** laws requiring companies to provide full information about their products (p. 54)

public good a shared good or service for which it would be impractical to make consumers pay individually and to exclude nonpayers (p. 62)

public interest the concerns of the public as a whole (p. 54)

publicly held corporation corporation that sells stock on the open market (p. 196)

public sector the part of the economy that involves the transactions of the government (p. 63)

purchasing power the ability to purchase goods and services (p. 339)

put option the option to sell shares of stock at a specified time in the future (p. 288)

Q

quantity supplied the amount a supplier is willing and able to supply at a certain price (p. 101)

quantity theory theory that too much money in the economy causes inflation (p. 341)

R

rationing a system of allocating scarce goods and services using criteria other than price (p. 141)

real GDP gross domestic product expressed in constant, or unchanging, prices (p. 304)

real GDP per capita real gross domestic product divided by the total population (p. 319)

real property physical property such as land and buildings (p. 378)

recession a prolonged economic contraction (p. 311)

regressive tax a tax for which the percentage of income paid in taxes decreases as income increases (p. 361)

regulation government intervention in a market that affects the production of a good (p. 118)

rent control a price ceiling placed on rent (p. 129)

representative money objects that have value because the holder can exchange them for something else of value (p. 247)

required reserve ratio (RRR) ratio of reserves to deposits required of banks by the Federal Reserve (p. 425)

résumé a document summarizing an individual's employment experience, education, and other information a potential employer needs to know (p. 526)

return the money an investor receives above and beyond the sum of money initially invested (p. 274)

revenue income received by a government from taxes and nontax sources (p. 359)

right-to-work law a measure that bans mandatory union membership (p. 231)

royalty share of earnings given as payment (p. 202)

S

S & P 500 index that shows the price changes of 500 different stocks (p. 290)

safety net government programs that protect people experiencing unfavorable economic conditions (p. 26)

sales tax a tax on the dollar value of a good or service being sold (p. 360)

saving income not used for consumption (p. 320)

savings account a bank account used for depositing money that may be needed within a short period of time (p. 506)

savings and loans associations banks that accept deposits and specialize in offering long-term financing for homes (p. 511)

savings bank a bank that accepts deposits and specializes in low-risk investments (p. 511)

savings bond low-denomination bond issued by the United States government (p. 280)

savings rate the proportion of disposable income that is saved (p. 320)

scarcity limited quantities of resources to meet unlimited wants (p. 4)

screening effect the theory that the completion of college indicates to employers that a job applicant is intelligent and hard-working (p. 214)

search costs the financial and opportunity costs consumers pay when searching for a good or service (p. 136)

seasonal unemployment unemployment that occurs as a result of harvest schedules or vacations, or when industries slow or shut down for a season (p. 332)

secondary market market for reselling financial assets (p. 283)

Securities and Exchange Commission an independent agency of the government that regulates financial markets and investment companies (p. 281)

security deposit a sum of money paid to a landlord or other lessor to ensure goods are returned in the same condition as originally rented (p. 522)

self-interest one's own personal gain (p. 31)

semi-skilled labor labor that requires minimal specialized skills and education (p. 221)

service cooperative cooperative that provides a service, rather than a good (p. 203)

services actions or activities one person performs for another (p. 3)

share portion of stock (p. 285)

shortage a situation in which a good or service is unavailable (p. 4), or a situation in which the quantity demanded is greater than the quantity supplied, also known as excess demand (p. 136)

skilled labor labor that requires specialized skills and training (p. 221)

socialism a social and political philosophy based on the belief that democratic means should be used to evenly distribute wealth throughout a society (p. 35)

Social Security Old-Age, Survivors, and Disability Insurance (OASDI) (p. 367)

sole proprietorship a business owned and managed by a single individual (p. 185)

special economic zones designated regions in China where foreign investment is encouraged, businesses can make most of their own investment and production decisions, and foreign companies are allowed to operate (p. 494)

specialization the concentration of the productive efforts of individuals and firms on a limited number of activities (p. 29)

speculation the practice of making high-risk investments with borrowed money in hopes of getting a big return (p. 290)

spillover costs costs of production that affect people who have no control over how much of a good is produced (p. 144)

stabilization program an agreement between a debtor nation and the IMF in which the nation agrees to revise its economic policy (p. 488)

standard of living level of economic prosperity (p. 26)

stagflation a decline in real GDP combined with a rise in the price level (p. 311)

start-up costs the expenses a firm must pay before it can begin to produce and sell goods (p. 153)

stock a certificate of ownership in a corporation (pp. 195, 507)

stock exchange a market for buying and selling stock (p. 287)

stock split the division of a single share of stock into more than one share (p. 286)

stockbroker a person who links buyers and sellers of stock (p. 286)

store of value something that keeps its value if it is stored rather than used (p. 244)

strike an organized work stoppage intended to force an employer to address union demands (p. 229)

structural unemployment unemployment that occurs when workers' skills do not match the jobs that are available (p. 332)

subsidized loans loans for which the government pays the interest while the student is attending school (p. 518)

subsidy a government payment that supports a business or market (p. 117)

subsistence agriculture level of farming in which a person raises only enough food to feed his or her family (p. 472)

substitutes goods used in place of each other (p. 88)

substitution effect when consumers react to an increase in a good's price by consuming less of that good and more of other goods (p. 80)

supply the amount of goods available (p. 101)

supply curve a graph of the quantity supplied of a good at different prices (p. 104)

supply schedule a chart that lists how much of a good a supplier will offer at different prices (p. 103)

supply shock a sudden shortage of a good (p. 141)

supply-side economics a school of economics that believes tax cuts can help an economy by raising supply (p. 399)

surplus situation in which quantity supplied is greater than quantity demanded; also known as excess supply (p. 134)

T

tariff a tax on imported goods (pp. 369, 450)

tax a required payment to a local, state, or national government (p. 359)

taxable income income on which tax must be paid; total income minus exemptions and deductions (p. 366)

tax assessor an official who determines the value of a property (p. 380)

tax base income, property, good, or service that is subject to a tax (p. 360)

tax exempt not subject to taxes (p. 377)

tax incentive the use of taxation to encourage or discourage certain behavior (p. 369)

tax return form used to file one's income taxes (p. 366)

technological progress an increase in efficiency gained by producing more output without using more inputs (p. 322)

technology the process used to produce a good or service (p. 59)

thinking at the margin deciding whether to do or use one additional unit of some resource (p. 10)

tight money policy monetary policy that reduces the money supply (p. 431)

time deposit a deposit offering guaranteed interest for a fixed period of time (p. 506)

total cost fixed costs plus variable costs (p. 111)

total revenue the total amount of money a firm receives by selling goods or services (p. 95)

trade association nonprofit organization that promotes the interests of a particular industry (p. 204)

trade barrier a means of preventing a foreign product or service from freely entering a nation's territory (p. 449)

trade deficit the result of a country importing more than it exports (p. 462)

trade-off an alternative we sacrifice when we make a decision (p. 8)

trade surplus the result of a nation exporting more than it imports (p. 462)

trade war a cycle of increasing trade restrictions (p. 451)

traditional economy economic system that relies on habit, custom, or ritual to decide questions of production and consumption of goods and services (p. 26)

transition period of change in which an economy moves away from a centrally planned economy toward a market-based system (p. 43)

Treasury bill a government bond that is repaid within three months to a year (p. 405)

Treasury bond a government bond that can be issued for as long as 30 years (p. 405)

Treasury note a government bond that is repaid within two to ten years (p. 405)

trough the lowest point in an economic contraction, when real gross domestic product stops falling (p. 311)

trust like a cartel, an illegal grouping of companies that discourages competition (p. 173)

Truth in Savings Act federal law requiring banks to provide customers with information on accounts they offer (p. 507)

Truth in Lending laws regulations requiring institutions extending loans to disclose exact finance charges, monthly interest rates, annual percentage rates, and finance charge calculation methods (p. 515)

tuition the cost of enrolling in educational courses (p. 516)

U

underemployed working at a job for which one is overqualified, or working part-time when full-time work is desired (p. 335)

underutilization using fewer resources than an economy is capable of using (p. 15)

unemployment rate the percentage of the nation's labor force that is unemployed (p. 334)

Uniform Partnership Act (UPA) act ordering common ownership interests, profit and loss sharing, and shared management responsibilities in a partnership (p. 191)

unitary elastic describes demand whose elasticity is exactly equal to 1 (p. 91)

United Nations Development Program (UNDP) United Nations program dedicated to elimination of poverty through development (p. 487)

unit of account a means for comparing the values of goods and services (p. 244)

unskilled labor labor that requires no specialized skills, education, or training (p. 221)

V

variable a factor that can change (p. 103)

variable cost a cost that rises or falls depending on how much is produced (p. 111)

vertical merger the combination of two or more firms involved in different stages of producing the same good or service (p. 199)

voluntary exchange the concept that people may decide what and when they want to buy and sell (p. 53)

voluntary export restraint (VER) a self-imposed limitation on the number of products shipped to a particular country (p. 449)

W

wage-price spiral the process by which rising wages cause higher prices and higher prices cause higher wages (p. 342)

want an item that we desire but that is not essential to survival (p. 3)

welfare government aid to the poor (p. 68)

white-collar worker someone in a professional or clerical job who usually earns a salary (p. 232)

withholding taking tax payments out of an employee's pay before he or she receives it (p. 366)

work ethic a commitment to the value of work and purposeful activity; system of values that gives central importance to work (pp. 59, 491)

workfare a program requiring work in exchange for temporary assistance (p. 350)

World Bank the largest provider of development assistance (p. 487)

World Trade Organization (WTO) a worldwide organization whose goal is freer global trade and lower tariffs (p. 453)

Y

yield the annual rate of return on a bond if the bond were held to maturity (p. 278)

Z

zoning law law in a city or town that designates separate areas for residency and for business (p. 187)

Spanish Glossary

A

- absolute advantage/ventaja absoluta** capacidad que tiene una persona o nación de producir un producto a un costo más bajo que otra persona o nación (pág. 443)
- aggregate demand/demanda global** cantidad de productos y servicios que se pueden adquirir en todos los niveles de precios (pág. 307)
- aggregate supply/suministros totales** cantidad total de productos y servicios que están disponibles en todos los niveles de precios (pág. 307)
- annual percentage rate (APR)/tasa porcentual anual** carga financiera que se expresa como tasa anual (pág. 514)
- antitrust laws/legislación antimonopolios** leyes que estimulan la competencia en el mercado (pág. 173)
- appreciation/revalorización** aumento en el valor de una moneda (pág. 459)
- appropriations bill/proyecto de ley de asignación de fondos** proyecto de ley que asigna dinero para gastos específicos (pág. 389)
- arable/cultivable** tierras adecuadas para cosechas (pág. 480)
- arbitration/arbitraje** técnica de acuerdo en la cual una tercera parte estudia un caso e impone una decisión final legalmente obligatoria para las dos partes en litigio (pág. 234)
- articles of partnership/contrato de asociación** acuerdo de asociación (pág. 191)
- assets/activos** dinero y otros haberes que pertenecen a un individuo o a una empresa (pág. 192)
- authoritarian/autoritario** que exige obediencia estricta a una autoridad, como por ejemplo, un dictador (pág. 35)
- automatic stabilizers/estabilizadores automáticos** beneficio estatal que cambia automáticamente según el PIB y los ingresos de un individuo (pág. 399)

B

- balanced budget/presupuesto equilibrado** presupuesto en el cual las entradas son iguales a los gastos (págs. 376, 403)
- balance of trade/balanza comercial** relación entre los productos que una nación importa y exporta (pág. 462)
- bank/banco** institución que recibe, guarda y presta dinero (pág. 250)
- bank holding company/compañía tenedora de bancos** compañía dueña de más de un banco (pág. 421)
- bank run/pánico bancario** pánico muy difundido durante el cual un gran número de personas intentan recuperar su dinero (pág. 252)

- barrier to entry/barreras a la entrada** cualquier factor que dificulta la entrada de una nueva empresa a un mercado (pág. 153)
- barter/trueque o permuta** intercambio directo de un grupo de productos o servicios por otro (pág. 243)
- bear market/mercado de bajistas** caída sostenida en la bolsa de valores durante cierto período de tiempo (pág. 290)
- black market/mercado negro** venta clandestina e ilegal de productos (pág. 142)
- block grant/transferencia global** fondos federales asignados a un estado en una suma global (pág. 350)
- blue-collar worker/obrero** persona que trabaja en una industria, a menudo la manufacturera, a cambio de un salario (pág. 231)
- Board of Governors/Junta de Gobernadores** consejo formado por siete miembros que supervisa el Sistema de la Reserva Federal (pág. 416)
- bond/bono** certificado emitido por el estado u otra corporación pública, la cual se compromete a reembolsar con interés la cantidad que pidió prestada al comprador (págs. 197, 507)
- brokerage firm/oficina de corredores de bolsa** empresa que se especializa en el comercio de valores (pág. 287)
- budget/presupuesto** registro de ingresos y gastos (pág. 502)
- budget deficit/déficit presupuestario** situación en la cual el estado gasta más de lo que recibe (pág. 403)
- budget surplus/superávit presupuestario** situación en la cual el estado recibe más de lo que gasta (pág. 403)
- bull market/mercado de alcistas** alza sostenida en la bolsa de valores durante cierto período de tiempo (pág. 290)
- business association/sociedad no pecunaria** organización sin fines de lucro que fomenta intereses comerciales colectivos para una ciudad, un estado u otra región geográfica, o para un grupo de empresas afines (pág. 204)
- business cycle/ciclo económico** período de expansión macroeconómica seguido por un período de contracción (págs. 57, 310)
- business franchise/franquicia comercial** empresa semi-independiente que paga derechos a una compañía matriz a cambio de los derechos exclusivos para vender cierto producto o servicio en una área determinada (pág. 201)
- business license/licencia comercial** permiso emitido por las autoridades locales para poder iniciar un negocio o empresa (pág. 186)

development/desarrollo proceso por el cual una nación mejora el bienestar económico, político y social de su población (pág. 471)

differentiation/diferenciación hacer diferente un producto de otros productos semejantes (pág. 167)

diminishing marginal returns/rendimientos marginales decrecientes nivel de producción en el cual el producto de mano de obra marginal disminuye cuando el número de trabajadores se aumenta (pág. 109)

discount rate/tasa de descuento tasa que la Reserva Federal les cobra a los bancos comerciales por crédito de urgencia (pág. 422)

discouraged worker/trabajador desalentado persona que quiere un trabajo pero deja de buscarlo (pág. 336)

discretionary spending/gastos discrecionales categoría de gastos sobre los cuales pueden tomar decisiones los organismos de planificación del gobierno (pág. 371)

disequilibrium/desequilibrio describe cualquier precio o cantidad que no está equilibrada; cuando en el mercado la oferta no es igual a la demanda (pág. 126)

diversification/diversificación expansión de las inversiones con el fin de disminuir los riesgos (pág. 273)

dividend/dividendo parte de las ganancias de una empresa que les corresponde a los accionistas (págs. 198, 508)

The Dow/índice Dow Jones índice que muestra la compra y venta de ciertas acciones selectas (pág. 290)

durable goods/bienes duraderos productos que tienen un período de duración relativamente largo, como por ejemplo, los refrigeradores, los carros y los reproductores de DVD (pág. 302)

E

easy money policy/política de dinero abundante política monetaria que aumenta el medio circulante (pág. 431)

economic growth/crecimiento económico aumento sostenido y a largo plazo en el producto interno bruto (pág. 310)

economics/economía estudio de cómo los seres humanos buscan satisfacer sus necesidades y deseos mediante la toma de decisiones (pág. 3)

economic system/sistema económico método que utiliza una colectividad humana para producir y distribuir bienes y servicios (pág. 23)

economies of scale/economía de escala factores que provocan la caída de los costos medios de un productor conforme aumenta la producción (pág. 157)

efficiency/rendimiento uso eficaz de los recursos con el fin de maximizar la producción de bienes y servicios (pág. 15)

elastic/elástica describe la demanda que es muy sensible a la variación de precios (pág. 90)

elasticity of demand/elasticidad de la demanda medida de cómo reaccionan los consumidores a una variación de precio (pág. 90)

elasticity of supply/elasticidad de la oferta medida de cómo

reacciona el volumen de la oferta a una variación de precio (pág. 104)

enterprise zone/zona empresarial área donde las compañías pueden operar libres de ciertos impuestos y restricciones locales, estatales y federales (pág. 350)

entitlement/derecho reglamentario programa que proporciona pagos a personas que cumplen ciertos requisitos, como por ejemplo, edad o ingresos (pág. 372)

entrepreneur/empresario líder con ambiciones que reúne factores como bienes, mano de obra y capital para crear y lanzar al mercado nuevos productos o servicios (pág. 6)

equilibrium/equilibrio económico el punto en el cual se nivelan la oferta y la demanda (pág. 125)

equilibrium wage/salario de equilibrio escala de salarios que no produce ni un número excesivo de trabajadores ni una demanda excesiva de trabajadores en el mercado laboral (pág. 220)

equities/acciones ordinarias título de propiedad en una sociedad anónima (pág. 285)

estate tax/impuesto sucesorio impuesto sobre la herencia, o valor total del dinero y la propiedad, de una persona que ha fallecido (pág. 368)

euro/euro nueva moneda que reemplaza las monedas individuales de las naciones de la Unión Europea (pág. 454)

European Union (EU)/Unión Europea (U.E.) organización mercantil regional formada por países europeos (pág. 454)

excess demand/exceso de demanda cuando el volumen de la demanda es mayor que el de la oferta (pág. 126)

excess reserves/reservas excedentes en las operaciones bancarias, reservas en efectivo mayores que las cantidades necesarias (pág. 427)

excess supply/exceso de oferta cuando el volumen de la oferta es mayor que el volumen de la demanda (pág. 128)

exchange rate/tipo de cambio valor de la moneda de un país en relación a la moneda de otros países (pág. 458)

excise tax/impuesto sobre el consumo impuesto sobre la producción o venta de un bien (pág. 118)

expansion/expansión período de desarrollo económico medido por un aumento en el producto interno bruto verdadero (pág. 310)

expansionary policies/políticas expansionistas políticas fiscales (tal como mayores gastos y reducción de impuestos) que estimulan el crecimiento económico (pág. 389)

export/artículo exportado producto que se vende a otro país (pág. 446)

externality/factor externo efecto secundario económico de un bien o servicio que genera beneficios o costos a alguien que no sea la persona que decide la cantidad de producción o de consumo (pág. 65)

F

factor market/mercado de factores mercado en el cual las compañías adquieren los factores de producción de las

- unidades familiares (pág. 29)
- factor payments/pagos por factores** los ingresos que un individuo recibe por suministrar factores de producción: bienes, mano de obra o capital (pág. 24)
- factors of production/factores de producción** bienes, mano de obra y capital; los tres grupos de recursos que concurren en la producción de todos los bienes y servicios (pág. 4)
- featherbedding/prebendaje** práctica de negociación de contratos laborales que mantienen en la planilla un número innecesario de trabajadores (pág. 227)
- Federal Advisory Council (FAC)/Consejo Asesor Federal** la autoridad de estudios de investigación de la Reserva Federal (pág. 418)
- federal budget/presupuesto federal** plan de entradas y gastos del gobierno federal para el año siguiente (pág. 387)
- Federal Deposit Insurance Corporation (FDIC)/Agencia Aseguradora Federal de Depósitos** agencia gubernamental que asegura los depósitos de los clientes en caso de una quiebra bancaria (pág. 255)
- federal funds rate/tasa de fondos federales** tasa de interés que los bancos se cobran entre sí por préstamos (pág. 422)
- Federal Open Market Committee (FOMC)/Comité del Mercado Libre Federal** comité de la Reserva Federal que toma decisiones clave sobre tasas de interés y el crecimiento del medio circulante de Estados Unidos (pág. 418)
- Federal Reserve Districts/Distritos de la Reserva Federal** los doce distritos bancarios creados por la Ley de la Reserva Federal (pág. 417)
- Federal Reserve note/billetes de reserva federal** dinero que actualmente circula en Estados Unidos (pág. 255)
- Federal Reserve System/sistema bancario de la Reserva Federal** el sistema bancario central de Estados Unidos (pág. 254)
- fiat money/moneda fiduciaria** dinero que posee valor porque el gobierno ha dispuesto que es un medio aceptable de pagar deudas (pág. 248)
- FICA/FICA, Acta federal de contribuciones de seguros** impuestos que financian el Seguro Social y *Medicare* (pág. 367)
- finance charges/cargo por financiamiento** interés que se acumula y derechos que se cobran por algunas formas de crédito (pág. 513)
- financial asset/inmovilización financiera** derecho sobre la propiedad o sobre los ingresos de un prestatario (pág. 272)
- financial intermediary/intermediario financiero** institución que ayuda a canalizar fondos de los ahorradores a los prestatarios (pág. 272)
- financial system/sistema financiero** sistema que permite el traspaso de dinero entre ahorradores y prestatarios (pág. 272)
- firm/firma** organización que utiliza recursos para fabricar un producto y luego venderlo (pág. 29)
- fiscal policy/política fiscal** normas tributarias y de gasto que aplica un gobierno con el fin de estabilizar la economía (pág. 387)
- fiscal year/año fiscal** período de doce meses que puede iniciarse en cualquier fecha (pág. 388)
- fixed cost/costo fijo** costo que no cambia sea cual sea la cantidad de producción (pág. 111)
- fixed exchange-rate system/sistema de cambio fijo** sistema monetario en el que un gobierno intenta mantener constante el valor de su moneda contra el de otros gobiernos (pág. 461)
- fixed income/renta fija** ingreso que no está sujeto a un aumento a un cuando los precios suben (pág. 343)
- flexible exchange-rate system/sistema de cambio flexible** sistema monetario que permite que la oferta y la demanda determinen el tipo de cambio (pág. 462)
- food stamps/cupones de alimentos** cupones que emite el gobierno y que se canjean por alimentos (pág. 348)
- foreign direct investment/inversión extranjera directa** compañía creada por extranjeros (pág. 486)
- foreign exchange market/mercado de divisas** bancos y otras instituciones financieras que facilitan la compra y venta de monedas extranjeras (pág. 460)
- foreign investment/inversiones extranjeras** inversiones provenientes de otros países (pág. 485)
- foreign portfolio investment/inversión de cartera extranjera** fondos que entran en un país cuando inversionistas extranjeros realizan adquisiciones en sus mercados de valores y bonos (pág. 486)
- fractional reserve banking/operaciones bancarias de reserva fraccionada** sistema bancario que mantiene sólo una fracción de los fondos y da prestado el resto (pág. 260)
- franchise/franquicia** derecho para vender un bien o un servicio dentro de un mercado exclusivo (pág. 159)
- free contract/contrato libre** concepto que define los acuerdos en los que quieren participar las personas (pág. 53)
- free enterprise/libre empresa** sistema económico que se caracteriza por la propiedad privada o corporativa sobre los bienes de capital; las inversiones son determinadas por vías privadas y no por el gobierno; y determinada en un mercado libre (pág. 43)
- free rider/aprovechador** individuo que se niega a pagar por un bien o un servicio pero que toma los beneficios que éste ofrece si se le proporciona como un bien o servicio público (pág. 63)
- free-trade zone/zona de libre comercio** zona donde un grupo de países ha acordado disminuir las barreras comerciales entre sí (pág. 454)
- frictional unemployment/desempleo friccional** desempleo que surge cuando una persona busca otro trabajo (pág. 331)
- fringe benefit/beneficios complementarios o extrasalariales** pagos que se reciben además del sueldo o salario (pág. 188)
- full employment/empleo pleno** nivel de empleo que se alcanza cuando no existe el desempleo cíclico (pág. 335)

futures/futuros contratos de compra y venta en una fecha específica en el futuro a un precio específico actual (pág. 288)

G

general partnership/sociedad colectiva sociedad en la cual los socios comparten el mismo grado de responsabilidad (pág. 190)

gift tax/impuesto sobre donaciones y legados impuesto que una persona viva debe pagar sobre una donación monetaria valorada por sobre una cierta cantidad (pág. 368)

glasnost/glásnost política de apertura emprendida en la Unión Soviética a fines de la década de 1980 (pág. 491)

glass ceiling/techo de vidrio barrera invisible y oficiosa que impide que las mujeres y las minorías logren promociones o puedan superarse en organizaciones dominadas por hombres blancos (pág. 224)

gold standard/patrón oro sistema monetario en el cual billetes y monedas tienen igual valor a una cierta cantidad de oro (pág. 253)

goods/bienes objetos físicos como la ropa o los zapatos (pág. 3)

government monopoly/monopolio fiscal monopolio credo por el gobierno (pág. 159)

Great Crash/Quiebre de la Bolsa caída de la bolsa de valores en 1929 (pág. 290)

Great Depression/Gran Depresión grave crisis económica que empezó en 1929 y que duró más de una década (pág. 255)

greenback/greenback papel moneda que emitió el Norte durante la Guerra Civil (pág. 253)

gross domestic product (GDP)/producto interno bruto (PIB) valor de todos los bienes y servicios finales producidos por un país dentro de su territorio en un año dado (págs. 57, 301)

gross national product (GNP)/producto nacional bruto (PNB) ingresos anuales de compañías y residentes norteamericanos (pág. 305)

guns or butter/armas o alimentos término que se refiere al dilema que enfrentan las naciones cuando deben decidir si producir una mayor o una menor cantidad de bienes militares o para el consumidor (pág. 8)

H

heavy industry/industria pesada industria que requiere grandes inversiones de capital y que produce artículos que se usan en otras industrias (pág. 37)

household/casa o unidad familiar persona o grupo de personas que viven juntos (pág. 29)

horizontal merger/fusión horizontal combinación de dos o más empresas de productos o servicios similares que compiten en el mismo mercado (pág. 199)

human capital/capital humano destrezas y conocimientos que adquiere un trabajador gracias a su educación y experiencia (pág. 5)

hyperinflation/hiperinflación inflación fuera de control (págs. 341, 404)

I

imperfect competition/competencia imperfecta estructura del mercado que no reúne las condiciones de una competencia perfecta (pág. 153)

import/artículo importado producto que se trae de otro país (pág. 446)

import quota/cuota de importación límite sobre la cantidad que se puede importar de un producto (pág. 449)

incentive/incentivo estímulo que mueve a una persona a comportarse de cierta manera (pág. 31)

incidence of a tax/incidencia de los impuestos peso final de un impuesto (pág. 363)

income distribution/distribución de ingresos la manera en que los ingresos totales de un país se distribuyen entre la población (pág. 348)

income effect/efecto de ingreso cambio en el consumo debido a un cambio en los ingresos reales (pág. 80)

increasing marginal returns/rendimiento marginal creciente nivel de producción en el que el producto de mano de obra marginal crece cuando el número de trabajadores se aumenta (pág. 109)

individual income tax/contribución individual sobre ingresos impuesto sobre los ingresos de una persona (pág. 360)

industrialization/industrialización organización extensiva de una economía para la elaboración de bienes (pág. 472)

inelastic/inelástica o fija describe la demanda que no es muy sensible a una variación de precios (pág. 90)

infant industry/industria naciente industria nueva (pág. 452)

infant mortality rate/tasa de mortalidad infantil número de muertes que ocurren en el primer año de vida por cada mil bebés nacidos vivos (pág. 474)

inferior good/bien o producto subordinado bien o producto que sufre una menor demanda cuando aumentan los ingresos de los consumidores (pág. 87)

inflation/inflación alza general de precios (pág. 338)

inflation rate/índice de inflación cambio porcentual en el nivel de precios en un período de tiempo (pág. 340)

infrastructure/infraestructura servicios e instalaciones que son necesarios para el funcionamiento de una economía (pág. 474)

in-kind benefits/beneficios en especie bienes y servicios gratis o a precios muy reducidos (pág. 70)

inside lag/demora interna retraso en la implementación de políticas monetarias (pág. 432)

interest/interés precio que se paga por el uso de dinero prestado (pág. 261), o, dinero que ganan los fondos depositados (pág. 506)

interest group/grupo de intereses agrupación privada que intenta persuadir a funcionarios públicos de que tomen medidas o voten a favor de los intereses de los miembros del grupo (pág. 54)

intermediate goods/bienes intermedios bienes utilizados en la producción de bienes finales (pág. 301)

internal financing/autofinanciación financiación que proviene de los ahorros de los ciudadanos de un país (pág. 485)

Internal Revenue Service/Servicio de Impuestos Internos organismo del Ministerio de Hacienda de Estados Unidos responsable de la interpretación y aplicación del derecho tributario federal (pág. 528)

international free trade agreement/tratado internacional de libre comercio acuerdo que resulta de la cooperación de un mínimo de dos países para eliminar barreras e impuestos comerciales en el comercio mutuo (pág. 453)

International Monetary Fund (IMF)/Fondo Monetario Internacional (F.M.I.) organismo cuyo fin es garantizar la estabilidad de los tipos de cambio internacionales y facilitar el desarrollo (pág. 488)

investment/inversión la acción de cambiar el uso de los recursos para evitar consumirlos hoy de modo que puedan crear beneficios en el futuro; el uso de activos para obtener ingresos o utilidades (pág. 271)

invisible hand/mano invisible término usado por economistas para describir la naturaleza autorreguladora del mercado (pág. 32)

J

junk bond/bono de calidad inferior bono de precio menor pero que potencialmente puede rendir un pago mayor (pág. 281)

K

Keynesian economics/economía keynesiana tipo de economía de demanda que fomenta la acción del gobierno con el fin de aumentar o disminuir la demanda y la producción (pág. 396)

L

labor/trabajo esfuerzo que se dedica a una tarea por la cual una persona es remunerada (pág. 4)

labor force/mano de obra o fuerza de trabajo todos los individuos civiles (excluyendo las fuerzas militares) que están empleados o desempleados (pág. 211)

labor union/sindicato obrero agrupación de trabajadores cuyo objetivo es mejorar las condiciones laborales, los salarios y los beneficios de sus miembros; también conocido como gremio (pág. 225)

laissez faire/política de mínima interferencia o laissez faire doctrina que afirma que, por lo general, el gobierno no debe interferir en el mercado (pág. 41)

land/tierras recursos naturales que se usan en la producción de bienes y servicios (pág. 4)

law of comparative advantage/ley de la ventaja comparativa ley que afirma que las naciones están en mejores condiciones cuando producen bienes y servicios que les significan una ventaja comparativa al ofrecerlos en el mercado (pág. 444)

law of demand/ley de la demanda ley que afirma que los consumidores compran una mayor cantidad de un pro-

ducto cuando su precio disminuye y una menor cantidad cuando su precio aumenta (pág. 79)

law of increasing costs/ley de costos crecientes cuando ocurre un cambio en los factores de producción en la elaboración de un bien o un servicio a otro, esto significa el aumento del costo de producción del segundo bien o servicio (pág. 17)

law of supply/ley de la oferta tendencia de los proveedores a ofrecer una cantidad mayor de un producto a un precio más alto (pág. 101)

leading indicators/indicadores anticipados variables económicas clave que utilizan los economistas para pronosticar una fase nueva del ciclo comercial (pág. 314)

learning effect/efecto del aprendizaje teoría que afirma que la educación aumenta la productividad, lo que resulta en salarios más altos (pág. 214)

lease/arrendamiento acuerdo de renta entre un propietario y un arrendatario (pág. 523)

legal equality/igualdad legal dar a cada persona los mismos derechos legales (pág. 53)

less developed country/país menos desarrollado nación con un nivel bajo de bienestar material (pág. 471)

liability/responsabilidad (legal) obligación con fuerza legal para pagar una deuda (pág. 187)

license/permiso autorización emitida por el gobierno para conducir un negocio (pág. 159)

life expectancy/expectativa de vida promedio de vida que se espera de un individuo (pág. 473)

light industry/industria ligera producción de bienes de consumo pequeños (pág. 494)

limited liability partnership (LLP)/sociedad de responsabilidad limitada sociedad comercial en la que todos los socios son socios colectivos (pág. 190)

limited partnership/sociedad en comandita simple sociedad comercial en la que se requiere que solamente uno de los socios sea un socio colectivo (pág. 190)

liquidity/liquidez capacidad de usar o de convertir directamente en efectivo (pág. 258)

literacy rate/índice de analfabetismo porcentaje de la población que no sabe ni leer ni escribir (pág. 473)

Lorenz Curve/curva Lorenz curva gráfica que muestra ingresos totales y que ilustra la distribución del ingreso (pág. 349)

M

macroeconomics/macroeconomía estudio del comportamiento y de la toma de decisiones de economías completas (pág. 57)

malnutrition/desnutrición alimentación deficiente (pág. 481)

mandatory spending/gastos obligatorios gastos requeridos por ley para efectuarse sobre ciertos programas (pág. 371)

marginal cost/costo límite o marginal costo de producir una unidad más de un bien (pág. 111)

marginal product of labor/producto de mano de obra marginal cambio en producción que resulta al contratar una unidad adicional de mano de obra (pág. 108)

marginal revenue/ingresos marginales ingreso adicional que resulta al producir una unidad más de un bien; por lo general, es igual al precio (pág. 112)

market/mercado convenio que permite que compradores y vendedores intercambien cosas (pág. 28)

market basket/cesta de compras colección representativa de bienes y servicios (pág. 339)

market demand schedule/cuadro de la demanda del mercado tabla que enumera la cantidad de un bien que comprarán todos los consumidores de un mercado a precios diferentes (pág. 82)

market economy/economía de mercado sistema económico en el que las decisiones sobre producción y consumo de bienes y servicios se basan en intercambios voluntarios en los mercados (pág. 27)

market failure/fracaso del mercado situación en la cual el mercado no distribuye los recursos de manera eficaz (pág. 64)

market power/poder de mercado capacidad de una empresa de cambiar precios y producción como si fuera un monopolio (pág. 163)

market supply curve/curva de oferta del mercado gráfica que muestra el volumen de la oferta de todos los proveedores en todos los niveles de precios (pág. 104)

market supply schedule/cuadro de oferta del mercado tabla que enumera la cantidad de un bien que ofrecen todos los proveedores a precios diferentes (pág. 103)

maturity/vencimiento fecha en que se vence el pago a un tenedor de bonos (pág. 277)

mediation/mediación técnica de arreglo en la que un mediador neutral se reúne con cada parte en litigio para hallar una solución, sin imponérsela (pág. 234)

Medicaid/Medicaid programa de derecho reglamentario que beneficia a familias de bajos ingresos, a personas discapacitadas y a personas de edad avanzada que viven en hogares de ancianos (pág. 373)

Medicare/Medicare programa nacional de seguro médico que ayuda a pagar el cuidado de salud para personas mayores de 65 años o que sufren de alguna invalidez (pág. 368)

medium of exchange/medio de cambio cualquier cosa que se usa como medida de valor durante el intercambio de bienes y servicios (pág. 243)

member bank/banco afiliado banco que pertenece al Sistema de Reserva Federal (pág. 254)

merger/fusión unión de dos o más compañías en una sola empresa (pág. 174)

microeconomics/microeconomía estudio del comportamiento económico y de la toma de decisiones de unidades pequeñas, como por ejemplo, individuos, familias y negocios (pág. 57)

minimum balance/balance mínimo cantidad de dinero que se requiere en una cuenta bancaria para evitar comisión y gastos por servicio (pág. 504)

minimum wage/salario mínimo precio mínimo que puede pagar un patrón a un empleado por hora de trabajo (pág. 130)

mixed economy/economía mixta sistema económico que mezcla el sistema tradicional y el mercado libre con una participación mínima del gobierno (pág. 27)

monetarism/monetarismo creencia de que el volumen de la masa monetaria es el factor más importante en el rendimiento macroeconómico (pág. 430)

monetary policy/política monetaria medida que lleva a cabo la Reserva Federal para influir sobre el nivel del producto interno bruto real y la tasa de inflación en la economía (pág. 417)

money/dinero cualquier cosa que sirve como medio de cambio, unidad de cuenta y reserva de valor (pág. 243)

money creation/poner el dinero en circulación proceso por el cual el dinero entra en circulación (pág. 425)

money market/mercado monetario mercado en el cual se presta dinero por períodos menores de un año (pág. 283)

money market mutual fund/fondo común de inversiones fondo que atrae dinero de ahorradores pequeños para adquirir bonos del gobierno o de sociedades anónimas a corto plazo (pág. 259)

money multiplier formula/fórmula multiplicadora de dinero cantidad de dinero nuevo que se crea con cada depósito a la vista, calculada como $1 \div \text{CRR}$ (coeficiente de reservas requerido) (pág. 426)

money supply/masa monetaria todo el dinero disponible en la economía de Estados Unidos (pág. 258)

monopolistic competition/competencia monopolista estructura del mercado en la cual muchas empresas venden productos semejantes pero no idénticos (pág. 166)

monopoly/monopolio mercado controlado por un solo vendedor (pág. 156)

mortgage/hipoteca tipo específico de préstamo que se usa para comprar bienes raíces (pág. 261)

multinational corporation/corporación multinacional empresa o grupo industrial o financiero que vende sus bienes y servicios en distintas partes del mundo (pág. 199)

multiplier effect/efecto multiplicador la idea de que cada dólar invertido crea más de un dólar de actividad económica (pág. 397)

municipal bond/bono municipal bono emitido por un gobierno o una municipalidad estatal o local para financiar mejoras a carreteras, edificios, bibliotecas, parques y escuelas (pág. 281)

mutual fund/fondo mutuo fondo constituido por los ahorros de muchos inversionistas y que invierte dinero en una diversidad de valores y bonos (págs. 272, 509)

N

NAFTA/Tratado de Libre Comercio (T.L.C.) convenio que elimina todos los aranceles y otras barreras comerciales entre Canadá, México y Estados Unidos (pág. 454)

Nasdaq/Nasdaq (por sus siglas en inglés para National Association of Securities Dealers Automated Quotation System y American Stock Exchange Inc.) mercado que se especializa en valores de alta tecnología y energía americanos (pág. 288)

national bank/banco nacional banco registrado por el gobierno nacional (pág. 251)

national debt/deuda nacional todo el dinero que el gobierno federal les debe a los tenedores de bonos (pág. 405)

national income accounting/contabilidad del ingreso

nacional sistema que reúne estadísticas macroeconómicas sobre producción, ingresos, inversiones y ahorros (pág. 301)

natural monopoly/monopolio natural mercado que opera con mucha eficacia cuando una empresa mayor suministra toda la producción (pág. 158)

natural rate of population increase/índice demográfico diferencia entre la tasa de nacimientos y la tasa de mortalidad (pág. 478)

need/necesidad algo como, por ejemplo, el aire, los alimentos o un refugio que es necesario para la supervivencia (pág. 3)

net worth/valor o activo neto activos totales menos pasivos totales (pág. 422)

newly industrialized country (NIC)/país recientemente industrializado país menos desarrollado que ha demostrado mejoras significativas en las medidas de desarrollo (pág. 475)

nominal GDP/PIB nominal producto interno bruto que se mide en precios actuales (pág. 304)

nondurable goods/bienes perecederos bienes de duración relativamente corta. Ejemplos: alimentos, bombillos de luz y zapatos tenis (pág. 302)

nonprice competition/competencia no basada en precio manera de atraer a clientes mediante estilo, servicio o ubicación, pero no a un precio menor (pág. 167)

nonprofit organization/organización sin fines de lucro empresa que funciona en forma muy parecida a una empresa comercial pero que no opera con el fin de generar ganancias (pág. 203)

normal good/producto o bien normal bien que disfruta de una mayor demanda de los consumidores cuando los ingresos de éstos aumentan (pág. 86)

O

Office of Management and Budget (OMB)/Dirección de Administración y Presupuesto agencia gubernamental que administra el presupuesto federal (pág. 388)

oligopoly/oligopolio estructura del mercado en la que unas cuantas empresas mayores controlan un mercado (pág. 169)

open market operations/operaciones de mercado abierto

compra y venta de títulos del Estado con el fin de alterar el medio circulante (pág. 428)

open opportunity/oportunidad abierta concepto que define la posibilidad de que todos puedan competir en el mercado (pág. 53)

operating budget/presupuesto operativo presupuesto para los gastos diarios (pág. 375)

operating cost/gastos de operación costo de operación de una instalación como, por ejemplo, una tienda o una fábrica (pág. 113)

opportunity cost/costo de oportunidad alternativa más deseada a la que se ha renunciado como resultado de una decisión (pág. 9)

options/opciones contratos que les proporcionan a los inversionistas la opción de comprar o vender valores y otros activos financieros (pág. 288)

OTC market/mercado extrabursátil mercado electrónico para valores que no aparecen o que no se comercializan en una bolsa organizada (pág. 288)

outside lag/demora externa tiempo que tarda una política monetaria en entrar un efecto (pág. 432)

P

partnership/sociedad personal organización comercial de dos o más personas que convienen en una repartición específica de responsabilidades y ganancias (pág. 190)

par value/valor a la par cantidad que se debe pagar a un inversionista de bonos cuando el bono se vence, sin tener en cuenta el interés (pág. 278)

patent/patente derecho que concede al inventor de un producto nuevo su venta exclusiva, durante un determinado período de tiempo (pág. 159)

patriotism/patriotismo el amor por el propio país; la pasión que inspira a una persona a servir a su país (pág. 25)

payroll withholding statement/estado de cuenta de retención de nómina documento adherido al cheque de pago que indica la suma retenida (pág. 310)

peak/apogeo el punto más alto de una expansión económica, cuando el producto interno bruto real deja de aumentar (pág. 310)

per capita gross domestic product (per capita GDP)/producto interno bruto per cápita (PIB per cápita) el producto interno bruto de una nación dividido por su población total (pág. 472)

perestroika/perestroika plan económico puesto en marcha por el líder soviético Mikhail Gorbachev para llevar a cabo una reforma económica (pág. 492)

perfect competition/competencia perfecta estructura del mercado en la que un vasto número de empresas elaboran el mismo producto (pág. 151)

personal exemption/exención personal una suma que resta una persona de sus ingresos brutos para sí mismo, su esposo, y unos dependientes (pág. 366)

- personal property/bienes personales** pertenencias como joyas, muebles y embarcaciones (pág. 378)
- physical capital/bienes materiales** todos los bienes producidos por el ser humano que se utilizan en la producción de otros bienes y servicios; herramientas y edificios (pág. 4)
- population growth rate/tasa de crecimiento demográfico** aumento en la población de un país en un año determinado, expresado como porcentaje de la cifra de habitantes al comienzo del año (pág. 478)
- portfolio/cartera** conjunto de activos financieros (pág. 274)
- poverty rate/índice de pobreza** porcentaje de un grupo de la población que vive en casas con ingresos por debajo del nivel de pobreza oficial (pág. 346)
- poverty threshold/umbral de pobreza** nivel de ingresos bajo el cual los ingresos son insuficientes para poder mantener a una familia (págs. 67, 345)
- predatory pricing/precio para eliminar competidores** vender un producto bajo costo para alejar a los competidores del mercado (pág. 173)
- preferred stock/acciones preferentes** acciones cuyos dividendos se basan en una tasa anual fija (pág. 508)
- premium/prima** dinero que se paga a una compañía aseguradora por una póliza (pág. 524)
- price ceiling/tope de precios** precio máximo que se puede pagar por un bien o un servicio (pág. 128)
- price discrimination/discriminación de precios** división de clientes en grupos según la cantidad de dinero que pagarán por un producto (pág. 163)
- price fixing/fijación de precios** convenio entre empresas para cobrar un precio por el mismo producto (pág. 171)
- price floor/precio mínimo** precio más bajo que se debe pagar por un bien o un servicio (pág. 128)
- price index/índice de precios** medida que muestra cómo cambia con el tiempo el precio promedio de un grupo estándar de bienes (pág. 339)
- price level/nivel de precios** promedio de todos los precios en una economía (pág. 307)
- price war/guerra de precios** serie de rebaja de precios que reduce el precio del mercado por debajo del costo de producción (pág. 171)
- primary market/mercado primario** mercado de venta de activos financieros que sólo el tenedor original puede redimir (pág. 283)
- prime rate/tasa de interés preferencial** tasa de interés que cobran los bancos a sus mejores clientes cuando éstos solicitan préstamos a corto plazo (pág. 427)
- principal/capital o principal** cantidad de dinero que se presta (pág. 261)
- private property/propiedad privada** la propiedad que poseen los individuos o las compañías, no el gobierno o el conjunto del pueblo (pág. 41)
- private property rights/derecho a la propiedad privada** concepto que define el derecho y privilegio de las personas a controlar sus posesiones como deseen (pág. 53)
- private sector/sector privado** parte de la economía que envuelve las transacciones de individuos y de empresas (pág. 63)
- privatization/privatización** venta o traspaso de empresas estatales al sector privado (pág. 489)
- privatize/privatizar** vender al sector privado empresas estatales, las cuales pueden competir entre sí en el mercado (pág. 43)
- producer cooperative/cooperativa de producción** cooperativas de comercialización agrícola que ayudan a sus miembros a vender sus productos (pág. 203)
- product market/mercado de productos** mercado en el cual las personas compran los bienes y servicios que producen las empresas (pág. 30)
- production possibilities curve/curva de posibilidades de producción** gráfica que muestra maneras alternativas para usar los recursos de una economía (pág. 13)
- production possibilities frontier/límite de posibilidades de producción** en una gráfica de posibilidades de producción, la línea que muestra la producción máxima posible para una economía específica (pág. 14)
- productive capacity/capacidad de producción** producción máxima que puede realizar una economía sin grandes alzas inflacionarias (pág. 396)
- productivity/productividad** valor de producción efectuada (pág. 219)
- professional labor/trabajo profesional** trabajo que requiere destrezas y educación avanzadas (pág. 221)
- professional organization /organización profesional** agrupación sin fines de lucro cuyo objetivo es mejorar la imagen, las condiciones laborales y los niveles de destrezas de individuos de un determinado oficio (pág. 203)
- profit/ganancias** utilidades financieras que se producen en una transacción (pág. 29)
- profit motive/ánimo de lucro** la fuerza que anima a las personas y organizaciones a mejorar sus condiciones materiales (pág. 53)
- progressive tax/impuesto progresivo** impuesto para el cual el porcentaje de ingresos que se paga en impuestos aumenta conforme lo hacen los ingresos (pág. 361)
- property tax/impuesto de la propiedad** impuesto sobre el valor de una propiedad (pág. 361)
- proportional tax/impuesto proporcional** impuesto en el que el porcentaje de ingresos que se paga es inalterable para todos los niveles de ingresos (pág. 361)
- prospectus/prospecto** informe de inversiones para inversionistas potenciales (pág. 274)
- protectionism/proteccionismo** uso de restricciones comerciales con el fin de proteger las industrias de un país de la competencia extranjera (pág. 452)
- public disclosure laws/leyes de divulgación pública** reglas que obligan a las empresas a proporcionar información sobre sus productos (pág. 54)
- public good/bien público** bien o servicio compartido que no sería práctico que los consumidores pagaran individ-

ualmente ni excluir a los que no pagan (pág. 62)
public interest/interés público inquietudes del público en general (pág. 54)

publicly held corporation/empresa pública compañía que vende valores en el mercado libre (pág. 196)

public sector/sector público parte de la economía que implica las transacciones del gobierno (pág. 63)

purchasing power/poder adquisitivo capacidad de comprar bienes y servicios (pág. 339)

put option/opción de venta opción para vender acciones en un tiempo determinado en el futuro (pág. 288)

Q

quantity supplied/volumen de oferta cantidad que un proveedor está dispuesto a, y es capaz de, producir a un precio determinado (pág. 101)

quantity theory/teoría cuantitativa del dinero teoría que afirma que demasiado dinero en la economía produce inflación (pág. 341)

R

rationing/racionamiento sistema para asignar o distribuir bienes y servicios escasos pero sin considerar los precios (pág. 141)

real GDP/PIB real producto interno bruto expresado en precios constantes o invariables (pág. 304)

real GDP per capita /PIB real per cápita producto interno bruto real dividido por la población total (pág. 319)

real property/bienes inmuebles propiedades físicas como tierras y edificios (pág. 378)

recession/recesión contracción prolongada de la economía (pág. 311)

regressive tax/impuesto regresivo impuesto para el cual el porcentaje de ingresos que se paga en impuestos disminuye conforme aumentan los ingresos (pág. 361)

regulation/regulación intervención del gobierno en un mercado que afecta la producción de un bien (pág. 118)

rent control/congelación de rentas precio máximo que se asigna a los alquileres (pág. 129)

representative money/dinero representativo artículos que poseen valor porque el tenedor puede intercambiarlos por otro objeto de valor (pág. 247)

required reserve ratio (RRR)/coeficiente de reserva requerido (CRR) coeficiente de reservas para los depósitos en los bancos requerido por la Reserva Federal (pág. 425)

résumé/resumé documento que resume la experiencia laboral, los estudios realizados y otros datos que califican a una persona, y que necesita saber un patrón potencial (pág. 526)

return/ganancia dinero que recibe un inversionista mucho más allá de la suma de dinero que invirtió inicialmente (pág. 274)

revenue/ingresos rentas públicas que recibe el gobierno por concepto de impuestos y otras fuentes exentas de impuestos (pág. 359)

right-to-work law/ley sobre libertad laboral medida que prohíbe el ingreso obligatorio a un sindicato (pág. 231)

royalty/regalía participación de ganancias dada como pago (pág. 202)

S

S & P 500/S & P 500 (por sus siglas en inglés para Standard and Poor's Corporation) índice que representa los precios de 500 valores diferentes (pág. 290)

safety net/red de asistencia: programas del gobierno que protegen a las personas que pasan por condiciones económicas adversas (pág. 26)

sales tax/impuesto sobre las ventas impuesto sobre el valor del dólar de un bien o producto en venta (pág. 360)

saving/ahorros ingresos que no se usan para el consumo (pág. 320)

savings account/cuenta de ahorros cuenta bancaria que se usa para depositar dinero que se pudiera necesitar en un tiempo relativamente corto (pág. 506)

savings and loans associations/sociedades de ahorro y préstamo bancos que aceptan depósitos y que se especializan en financiamientos a largo plazo (pág. 511)

savings bank/caja de ahorros banco que acepta depósitos y que se especializa en inversiones de bajo riesgo (pág. 511)

savings bond/bono de ahorro bono de bajo valor emitido por el gobierno de Estados Unidos (pág. 280)

savings rate/tasa de ahorros proporción de los ingresos disponibles gastados a los ingresos ahorrados (pág. 320)

scarcity/escasez cantidades limitadas de recursos para poder satisfacer necesidades ilimitadas (pág. 4)

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