



Economic Terms for Georgia Grades K-5

These are the economic terms used in the Economic Understandings of the Georgia Standards of Excellence for Social Studies (Grades K-5). These definitions are intended to provide clarity to teachers regarding the specific economic meanings.

ALLOCATE - to distribute goods, services, and resources. Because all resources are scarce, we must make decisions about using them.

AUTHORITY (allocation method) - someone receives a good, service, or resource because a person in power says they will receive it

BANKS - businesses that accept deposits and make loans

BARTER - the direct exchange of goods or services without the use of money

BENEFIT - something favorable to a decision-maker

BUDGET - a spending-and-savings plan, based on estimated income and expenditures (money spent), covering a specific period of time

CAPITAL - man-made good used to produce other goods and services; examples include buildings, machinery, tools, and equipment

CHOICE - an act of selecting or making a decision when faced with two or more alternatives

COMPETITION - the effort of two or more individuals or organizations to get the business of others by offering the best deal. Consumers compete with other consumers for goods and services. Producers compete with other producers for sales to consumers.

CONSUMER - someone who buys and uses goods and services

CONTEST (allocation method) - a type of activity where the winner receives the goods and services

COST - things that are unfavorable to the decision-maker; what is given up

CURRENCY - money in circulation in any country

EARNED INCOME - money received for work performed; may include salary, wages, tips, professional fees, commissions, etc.

ECONOMY/ ECONOMIC SYSTEM - the way in which a group of people living in a country decide to produce and distribute goods, services, and resources

ENTREPRENEUR - an individual willing to take risks in order to develop new products and start new businesses

ENTREPRENEURSHIP - a characteristic of people who assume the risk of organizing productive resources to produce goods and services

EXPENDITURE - a payment made to purchase goods or services

FIRST-COME, FIRST-SERVED (allocation method) - when a good, service, or resource goes to the first person who wants it and meets the requirements; often combined with other methods like price

GOOD - object that satisfies people's wants

GOVERNMENT EXPENDITURES - the use of tax dollars to provide public goods and services. Federal government expenditures include national defense and a system of justice. State and local government expenditures include police, roads and public education.

GOVERNMENT REVENUES - funds raised through taxing and borrowing to pay for government expenditures

HOUSEHOLDS - individuals and family units that buy goods and services (as consumers) and sell or rent productive resources (as resource owners)

INCOME - money received for work performed or from investments; may include salaries, wages, interest, dividends, etc.

INTERDEPENDENCE - a situation in which decisions made by one person affect decisions made by other people, or events in one part of the world or sector of the economy affect other parts of the world or other sectors of the economy

LABOR - the quantity and quality of human effort available to produce goods and services; also known as human resources

LOTTERY (allocation method) - when a good, service, or resource goes to a person who is randomly selected

MAJORITY RULE (allocation method) - when people vote to decide who gets a good, service, or resource; majority rule implies that someone has to get 50% plus one of the votes in order to win the vote

MARKET - buyers and sellers coming together to exchange goods, services, and/or resources

MARKET ECONOMY - an economic system where private individuals own the resources and decide what goods and services are produced, how they are produced, and who gets them. Prices of goods and services are determined by interactions of buyers and sellers with little to no government influence

MONEY - anything widely accepted in exchange for goods and services

NATURAL RESOURCE - something that occurs naturally in or on the earth that is used to produce goods and services; sometimes referred to as "land"

OPPORTUNITY COST - the value of the next-best alternative when a decision is made; the value of what is given up in a choice

PERSONAL BUDGET - statement that depicts the income and expenses of an individual; may also include savings

PERSONAL CHARACTERISTICS (allocation method) - when people are selected to receive (or excluded from receiving) goods, services, or resources based on certain traits, such as gender, race, or age

PRICE - the amount of money, determined by the interaction of buyers and sellers, that a buyer must pay to acquire a good, service, or resource

PRICE (allocation method) - when a good, service, or resource goes to someone able to pay for it at an agreed upon price; often combined with other strategies like first-come-first-served

PRICE INCENTIVE - a change in price that leads to a change in producer and consumer behavior. Consumers are inclined to buy when the price of a good or service is lower, and producers are inclined to make goods and services when their cost is higher.

PRIVATE BUSINESS - organization that produces or exchanges goods or services for a profit

PRODUCER - a firm or a person who uses resources to make goods and services

PRODUCTIVE RESOURCE - the natural, human, and capital resources that are available to make goods and services; also known as factors of production.

PRODUCTIVITY - a measure of output per unit of input

PUBLIC GOOD/SERVICE - a good or service typically provided by Government that anyone may use; examples include public education, roads, public parks, and military protection

PURCHASE - to acquire by the payment of money or its equivalent; buy

RISK - the chance of loss

SAVE - to keep money for future use

SCARCITY - when unlimited wants are greater than limited resources

SERVICE - action that can satisfy people's wants

SHARING (allocation method) - when a good, service, or resource is distributed equally with all or shared equally among people who want it

SPECIALIZATION - working in a specific job producing a specific good or service while relying on other workers to produce other goods and services; focusing productive efforts on a specific or small range of goods and services rather than trying to produce everything

SPEND - to use money now to buy goods and services

STANDARD OF LIVING - the quantity and quality of material goods and services available to a given population. Standard of living focuses on basic factors such as income, gross domestic product (GDP), life expectancy, and economic opportunity.

TAXATION - the process in which a charge is imposed upon a taxpayer by a state or a legal equivalent of a state

TAXES - mandatory fees charged on business and individual income, activities, property, or products by governments

TECHNOLOGICAL ADVANCEMENT - an attempt at extending or further understanding the underlying science used to develop current materials, devices, products or processes

TRADE - the exchange of goods and services for money or other goods and services

VOLUNTARY EXCHANGE - trading goods and services with other people because both parties expect to benefit from the trade

WANT - desire that can be satisfied by consuming goods and services

WORK - effort applied to achieve a purpose or result, often for pay; skills and knowledge put to use to get something done

Resources used for these definitions:

- <https://www.federalreserveeducation.org>
- <https://www.econedlink.org/glossary>
- <https://corporatefinanceinstitute.com/resources/knowledge/accounting/expenditure/>
- www.dictionary.com
- <https://www.investopedia.com>

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