

7th and 8th Grade Social Studies

Economic Vocab Words and Summaries of their meaning. I will do next 10 later today.

These first 10 words and definitions 5x each should be done by Wednesday March 18th.

Account--A record of money deposited or withdrawn from a bank

Bank--A business that provides money services, such as cashing checks, making loans, and paying interest on accounts.

Budget--an estimate of income and expenditure for a set period of time.

Capitalism--an economic and political system in which a country's trade and industry are controlled by private owners for profit, rather than by the state.

Consumer--A person who purchases goods and services for personal use

Costs and benefits--The bad and good points related to making a decision.

Credit--An arrangement to receive cash, goods, or services now and pay for them in the future.

Currency--Coins and paper bills used as money

Debt--something, typically money, that is owed or due

Demand--The amount that consumers are able and willing to buy at all possible prices at a given time.

Summaries

Account: Each individual that decides to put money into a bank or purchase stocks through a company has all their records into an account. That account has your amounts, how much you spend and all records in it.

Bank: Banks are important in today's world because many people get loans from these lending organizations. Loans are easier to get with the interest rates dropping (how much you pay back for borrowing money). Banks make money by loaning you money and you paying it back plus interest. (If you borrow \$30,000 to buy a truck, you may pay back \$40,000 over the 6 years. The bank makes \$10,000 from you.)

Budget: All governments run on a budget. They are supposed to plan on how much money they are going to bring in and how much they are going to spend. Families should do the same. You should figure you how much money you'll make each month and figure you how much you're going to spend so you know where your money is going. This will decrease the chances of spending more than you bring in.

Capitalism: This is the economic system we use. Some of you believe athletes make too much money while teachers and police don't make enough. I agree. However, in a Capitalist economy, you generally make as much money as the skill you possess. The person who can only perform a job that takes few skills (a job most everyone can do), that person's salary will be lower. If you have a job that takes high skills that few possess, you likely will get paid a lot more. Also, if you work at a job that DOES NOT produce a product (schools and police that are run by governments) you won't have a high salary.

Consumer-Anyone who buys goods is a consumer. Consumers are a huge part of Capitalism (our economic system of how we buy and sell goods). Consumers help set prices of goods when they buy or don't buy goods. If they buy a lot of goods, the demand increases and so likely will price. If they don't buy a good, there is excess of the product and little demand so the price will likely decrease. That is what is happening to oil and stocks now. People aren't spending as much with places shutting down, so consumers are causing prices and stock values to decrease.

Costs and benefits: Simply put, costs are what you will be out by making a decision. There is **Economic Cost:** how much \$\$\$ it costs you. Also, there is **Opportunity Cost:** what you're missing out on when you make a decision. If I decide to go to sleep early, the Opportunity Cost is I don't get to play video games all night. It's what I lose when I make a decision.

Credit: Credit is looked at by banks and those lending you money. Will you pay them back on time or will you default (not pay the loan off)? If you have a history of always paying your bills and paying back what you borrow, banks will say "Yeah, I can lend this guy/girl \$30,000 to buy a truck and they'll pay it back." These people have high Credit Scores and pay less interest (maybe only \$35,000 on a \$30,000 loan). However, if you are someone who doesn't always pay on time or if you've not paid some loans back, they will say "We can't trust this person as much. They may not pay back the loan." They have a lower Credit Score and will have a higher interest rate (they may pay over \$40,000 for a \$30,000 truck.)

Currency: The currency a country uses is what they endorse as their means of buying or selling goods. Here in the US, obviously we use the US Dollar. Other countries really want our money over theirs because ours is valuable. People have a lot faith in our country and believe it will always be successful, so they think the US Dollar will be valuable when other countries fail. The US Dollar will still hold good value during this economic crisis because our economy is still strong.

Debt: When you owe someone money, you have debt. Many Americans owe money on their house, automobile or through credit cards. These people have debt. Debt is not always a bad thing as long as you can pay it off. Debt is only a problem when spend more than you make and the debt (amount you owe people) is a greater number than the income you have (the amount you earn). If you have more debt and income over a long period of time, you will have major economic problems. Companies that have a lot of debt and are shut down by the government for 2-8 weeks will have far less income. This may cause them to close for good.

Demand: The basic way that Capitalism works is that prices are set from supply and demand. If people really want a product and are willing to pay high prices for it, that means that there is a high demand. When demand is high, people will give more \$\$\$ for the product and the producer can sell it for a higher price. We can see the demand for products have increased at a panic level due to COVID-19. People are scared about being locked down for long periods of time so the demand for non-perishable foods and other goods has increased. Producers and stores will be able to increase the prices, but not at a major rate. If they increase prices due to panic and fear, that is called "Price Gouging." Gouging is highly illegal and also happened after the 9-11 Terrorist Attacks. Gasoline stations that charged \$5-\$6 a gallon that day were fined by the government.