

# Glossary of Important Business, Economic, and Financial History Terms

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**acceptance (n.):** any variety of a *bill of exchange*, *inland bill*, *draft*, or other *financial instrument* that has been *accepted* by the *payer* as a legitimate claim upon its *assets* but is not yet paid because the instrument has not yet *matured* or has not yet been presented for payment.

**accept (v.):** to agree to pay a *bill of exchange*, *inland bill*, *draft*, or other *financial instrument* according to its *usage*. See also *sight draft*, *time draft*

**account books (n.):** books (or papers or computer files) where *accounts* are maintained. See also *day books*, *double entry*, *journals*, *ledgers*, *single entry*

**accounts (n.):** a record of *debits* and/or *credits* maintained by an *entity* in its *account books*.

**actuarial (adj.):** the condition or state of being created by an *actuary*.

**actuary (n.):** an entity that computes *insurance risks* and *premiums* in a scientifically and statistically valid way.

**acquisition (n.):** the purchase, takeover, and *balance sheet consolidation* of one *business entity* by another, typically larger surviving entity.

**adverse selection (n.):** a type of *asymmetric information* whereby the highest *risks* (2) are the most eager to *borrow* or *insure*. See also *lemons problem*

**agency costs (n.):** the *costs* incurred by a *principal* when its *agent* does not act on its behalf but rather in the agent's own interest. See also *principal-agent problem*

**agent (n.):** an *entity* enjoined to act on behalf of a *principal* in some *business activity*. See also *agency costs*, *insurance agent*

**aggregate output (Y) (n.):** 1) the sum total of all *final goods* produced in an economy in some period, typically a quarter or a year; 2) *consumption* (C) plus *investment* (I) plus *government spending* (G) plus *net exports* (NX), as in the equation  $Y = C + I + G + NX$ . See also *gross domestic product*

**amortize (v.):** to repay a *loan* by making *interest* and partial *principal* payments each repayment period, typically a month.

**amortization (n.):** the process of *amortizing* a *loan*.

**annual (n.):** year

**annually (adj.):** once a year. See also *semiannually*, *quarterly*

**annuitant (n.):** the *owner* or recipient of an *annuity*.

**annuity (n.):** a type of *insurance policy* that *pays* the *annuitant* a sum of *money* (previously annually but often today monthly) over a pre-specified period or during the annuitant's lifetime or that of his or her spouse.

**ask price (n.):** the price at which a *dealer* will sell a *security* from its inventory. See also *bid price*

**asset (n.):** any *good* owned by any *entity* and held on its *balance sheet*.

**asset bubble (n.):** the condition when the *price* of an *asset* or *asset class* exceeds its *fundamental value* for an extended period.

**asset class (n.):** a group of similar *assets* like *bonds*, *equities*, or *real estate*.

**association (n.):** 1) any one of a number of types of *business entity*; 2) a type of *organization*. See also *Building and Loan associations*, *Savings and Loan associations*

**asymmetric information (n.):** when one party to a *contract* (*buyer* or *seller*) knows more than the *counterparty*, such as *adverse selection*, *moral hazard*, and the *principal-agent problem*.

**bad (n.):** 1) anything that no *entity* values at greater than zero; 2) anything that entities are willing to pay to reduce or eliminate. See also *good*

**Bagehot's Rule (n.):** See *Hamilton's Rule*.

**balance sheet (n.):** a type of *financial statement* that lists an *entity's assets*, *liabilities*, and *capital*. So called because assets must equal (or in other words be in balance with) liabilities plus capital (which can be *negative*).

**balance sheet consolidation (n.):** the act of combining the *balance sheets* of two or more *entities*, as in a *merger*.

**bank (n.):** one of a variety of financial *intermediaries* that accepts *deposits* and makes *loans* and/or that engages in *brokerage*, *merger* and *acquisition* consulting, or *securities issuance*. See also *bank of discount and deposit*, *bank of issue*, *banker*, *Building and Loan association*, *central bank*, *commercial bank*, *credit union*, *depository institution*, *investment bank*, *mutual savings bank*, *private banker*, *Savings and Loan association*, *savings bank*, *thrift*, *unit bank*, *universal bank*

**bank (v.):** to utilize one or more of the services of a *bank*, particularly to obtain a *loan* or make a *deposit* at a *depository institution*. See also *unbanked*

**bank of discount and deposit (n.):** an archaic term for a *commercial bank*.

**bank of issue (n.):** an archaic term for a *bank* that *issued* its own *bank notes*.

**banker (n.):** an individual engaged in *banking* as a *private banker* or as an employee of a *bank*. See also *financier*

**bank notes (n.):** a form of *paper money issued* by *banks (banks of issue)* and generally *convertible* into *specie* at their respective *face values* at current *coin ratings* at the bank of issue. See also *suspension of specie payments*

**bank holding company (n.):** a *bank* that holds one or more other *banks* as *assets* on its *balance sheet*.

**bank run (n.):** 1) historically, when holders of a *bank's demand liabilities*, specifically its *bank notes* or *deposits*, request payment or *conversion en masse*; 2) today, when *creditors* refuse to renew short-term *loans* to a bank, also known as a *silent run*. See also *liability run*

**banking (n.):** the activities of a *bank* or *banker* such as making *loans*, taking *deposits*, and/or engaging in *investment banking*.

**bankrupt (n.):** an *entity* in a state of *bankruptcy* in sense 1 or 2 of that word.

**bankruptcy (n.):** 1) generally, the condition of an *entity* that has *negative net worth*, to wit the *monetary value* of its *liabilities* exceeds the monetary value of its *assets*. 2) the state of an *entity* that has filed for protection from its *creditors* under a *bankruptcy law*. See also *insolvency*

**bankruptcy law (n.):** a statute that determines how a *bankrupt entity's assets* shall be used to pay its *liabilities*.

**base money (n.):** any type of *money* that *banks* can count as *reserves*. See also *cash, specie*

**benefits (n.):** 1) the non-monetary compensation of an employee, such as *health insurance*; 2) more generally, the *utility* or *resources* derived by an *entity* from some *good* or activity. See also *costs*

**bill (n.):** a *short-dated bond*, especially one *issued* by the U.S. Treasury. See also *commercial paper*

**bill of credit (n.):** a type of *medium of exchange* or *paper money issued* by the colonial governments of mainland British North America and often, though not always, made a full *legal tender*.

**bill of exchange (n.):** a *short-dated international financial instrument* drawn on foreign *entity* in a foreign *currency*. See also *inland bill*

**bid price (n.):** the price at which a *dealer* will buy a *security* for its inventory. See also *ask price*

**bond (n.):** 1) generically, any *loan*; 2) in finance, a *negotiable, long-dated, interest-bearing financial instrument*. See also *bill, coupon bond*

**bondholder (n.):** 1) the *owner* of a *bond*; 2) any *lender* or *creditor* whose *loan* is secured by a *bond*.

**boom (n.):** See *expansion*

**borrower (n.):** any *entity* that receives *principal* from a *lender* in *exchange* for a promise to repay the *principal* plus *interest* in the future.

**branch (n.):** an office of an *intermediary*, typically a *bank*, where *financial services* are provided to customers remotely from the *financial institution's* headquarters.

**broker (n.):** any *entity* that *brokers* (v.).

**broker (v.):** to match the *buyers* and *sellers* of *financial instruments* in exchange for a *commission*. See also *broker, brokerage, deal, dealer, dealing, stockjobber, stockjobbing*

**brokerage (n.):** an *intermediary* that *brokers* and *deals*. See also *broker-dealer*

**broker-dealer (n.):** a *brokerage*.

**budget deficit (n.):** the difference between an *entity's* (typically a government's) *income* and its *expenditures* that must be *financed* through the sale of *assets* or the *issuance* of *securities*, usually *bonds* or *money*.

**business (n.):** 1) an *entity* whose primary goal is to earn *profits*; 2) a *for-profit firm*; 3) of or pertaining to the activities carried out by businesses.

**business activity (n.):** any actions undertaken by any *business entity* such as *buying, selling, brokering, dealing, lending, borrowing, collateralizing, exchanging, or trading*.

**business entity (n.):** an *association, corporation, partnership, sole proprietor, or other entity* that buys and/or sells *goods* in an attempt to earn *profits*. See also *business, organization*

**bust (n.):** See *recession*

**buyer (n.):** the *entity* in a *trade* that gives up *money* and receives a non-monetary *good* in exchange.

**Building and Loan association (n.):** a type of *mutual corporation* that specialized in financing the construction of homes that were replaced following the Great Depression by the *Savings and Loan association*.

**bullion (n.):** *gold* or *silver* in the form of bars or ingots. See also *specie*

**call (n.):** a demand made for the payment of a *liability owed* to a *creditor*. See also *call (v.), call loan, call option*

**call (v.):** to demand repayment of a sum due or payable. See also *call (n.)*

**callable (adj.):** lawfully capable of being *called* (v.); 2) subject to a *call* (n.).

**call loan (n.):** a *loan*, typically an overnight one *collateralized by stock*, that the *lender* can *call* (v.) at any time.

**call option (n.):** a type of *option derivative* that gives the *option holder* the right but not the obligation to purchase some predetermined *asset* at a predetermined *strike price*. See also *option, put option*

**capital (n.):** 1) an *entity's net worth*; 2) the contributions of *stockholders* to a *joint-stock corporation*; 3) productive physical *assets* such as factories. See also *human capital*

**capitalism (n.):** an *economic* and political system characterized by *Lockean government*, a modern *financial system*, open access *entrepreneurship*, and modern *management* but also by some level of *corruption, rent seeking*, and the *exploitation* of taxpayers and workers.

**capital requirements (n.):** *capital* (1) mandated by some *regulator* or law, typically expressed as a percentage of a bank's *assets*.

**cash (n.):** 1) any physical *medium of exchange* that *circulates* or passes easily hand to hand to make *exchanges*; 2) slang for *short-dated commercial paper*.

**cash (v.):** to convert a *financial instrument* like a *check* or a *whole life insurance policy* into *money*.

**cash flow (n.):** the movement of *cash* into and out of an *entity* during some finite period such as a month or a quarter.

**cash value (n.):** the sum of *money* that can be obtained for the relinquishing a *whole life insurance policy*.

**central bank (n.):** a *bank* established by a government to develop and implement *monetary policy* and/or act as a *lender of last resort* during *crises* and/or *regulate financial firms* and *markets*.

**certificate of deposit (CD):** a type of *time deposit* whereby the *depositor* agrees to pay a penalty if s/he/it withdraws the *principal* before *maturity*, a pre-specified date some months or years after making the *deposit*. See also *negotiable certificate of deposit*

**charter (n.):** a statute or special act of incorporation authorizing the creation of a *corporation*. See also *general incorporation act*

**check (n.):** a type of *draft* or written request for payment, typically to a third party, by a *depositor* in a *bank*.

**circulation (n.):** 1) in the *economy*, passing from hand to hand as *cash*; 2) an archaic term that referred to *bank notes* circulating outside the *bank of issue*.

**coins (n.):** pieces of metal, typically formed into the shape of thin round discs, and embossed with information about its origin (*issuer*, date of *issue*, *denomination*, and so forth). See also *full-bodied coins*, *token coins*

**coin rating (n.):** the *monetary value* assigned by governments or other *entities* to specific *specie coins*, typically *full-bodied*.

**collateral (n.):** any *asset* pledged for the repayment of a *loan*.

**collateralize (v.):** to pledge *collateral* for the repayment of a *loan*.

**collateralized (adj.):** backed by *collateral*.

**commercial bank (n.):** a type of bank that primarily makes *loans*, traditionally *discounts*, to businesses and that *issues* mainly *checking* or other *transaction deposits*.

**commercial paper (n.):** a generic term for any type of *short-dated financial instrument*, such as a *bill of exchange*, *issued* by a *business entity*. See also *bill*

**commission (n.):** a percentage of the sale *price* of an *asset* paid to a *broker* for its *brokering* services.

**commodity money (n.):** *cash* or *media of exchange* that derive their *liquidity* from the *monetary value* of the commodities, such as *copper*, *silver*, or *gold*, that comprise them.

**commonweal (n.):** for the *benefit* of the community writ large.

**community bank (n.):** any relatively small bank that provides financial services to a relatively small geographical area. See also *Building and Loan association*, *country bank*, *credit union*, *Savings and Loan association*, *savings bank*, *thrift*

**consumption (n.):** 1) the use, using, or using up of a *good*; 2) one of the major components of *aggregate output* (Y).

**contract (n.):** an agreement, written or oral but typically legally binding, between two or more parties specifying precise terms for the *sale* or *exchange* of one or more *goods*.

**contract (v.):** 1) to shrink, as in an *economic contraction*; 2) the act of consummating a *contract* (n.).

**conversion (n.):** the act of changing (converting) one type of *asset* into another.

**convertible (adj.):** subject to being changed (converted) from one type of *asset* to another. See also *bank notes*, *convertible bonds*

**convertible bonds (n.):** a type of *bond* that can be changed (converted) into another *security*, typically an *equity*.

**convertible money (n.):** any type of *money* that can be changed (converted) into another type of money, such as *bank notes* into *specie*. See also *credit money*

**copper (n.):** a metallic element, symbol Cu and atomic number 29, used to make small *denomination full-bodied* and *token coins*.

**corporation (n.):** a legal device granting an *entity* special rights, including, in the case of business entities, *perpetual succession*, *limited liability*, and *entity shielding*. See also *charter*

**corruption (n.):** 1) manipulation of the political system by *special interests* for special interests; 2) the abuse of power by government officials, typically through *rent seeking* activities such as taking bribes.

**costs (n.):** the expenditure of *resources*, including *cash*. See also *opportunity costs*, *sunk costs*

**counterparty (n.):** the other party to a *contract* like a *derivative* or *loan*.

**country bank (n.):** an archaic term for a *community bank* located in a rural or non-money center (sub)urban area.

**coupon (n.):** 1) the physical piece of a *coupon bond* that *bondholders* clipped off and presented for payment to the *bond's issuer* or its *redemption agent*; 2) an *interest* payment on a coupon bond.

**coupon bond (n.):** 1) specifically, a type of *bond* upon which *interest* was paid when the *bondholder* clipped off a section of the bond called a *coupon* and presented it to the *issuer* or its *redemption agent*; 2) generically, any bond that pays interest periodically, such as *quarterly* or *semiannually*.

**credit money (n.):** any type of *money*, such as *bank notes* and *deposits*, the value of which is dependent on the *creditworthiness* of the *issuer*. See also *convertible money*

**creditor (n.):** an *entity* to which something, typically *money*, is *owed* by its *debtor*.

**credits (n.):** 1) generically, an *accounting* term for things received by an *entity*, typically stated in terms of its *monetary value*; 2) in *banking*, a deposit or other payment by a customer to the *bank*.

**creditworthy (adj.):** an *entity* that is thought willing and able to meet all of its current *financial obligations*. See also *creditworthiness*

**creditworthiness (n.):** the condition of being *creditworthy*.

**crisis (n.):** See *financial crisis*

**currency (n.):** 1) *cash*; 2) the prevailing *unit of account* or *coin rating*.

**current money (n.):** an archaic term for *cash*.

**credit crunch (n.):** a period characterized by a general dearth of *liquidity* and a decline in the volume of *bonds* and *loans*.

**credit union (n.):** a type of *community bank*, *depository institution*, or *thrift* owned by its *depositors* and *chartered* as a credit union. See also *mutual corporation*

**day book (n.):** a type of *single entry account book* that records *exchanges* on a chronological basis without categorization, much like a cash register roll.

**deal (v.):** to offer to *buy securities* at a *bid price* and simultaneously offer to *sell* the same securities at an *offer price* and *profiting* from the difference or *spread* between the two prices.

**dealer (n.):** an entity that *deals* or engages in *dealing*.

**dealing (n.):** the act of *buying* and *selling securities* at stated *bid* and *ask prices*, respectively.

**debits (n.):** 1) generically, an *accounting* term for things given up by an *entity*, typically stated in terms of its *monetary value*; 2) in *banking*, a loan or other payment by a *bank* to a customer.

**debt (n.):** anything *owed* to another entity, typically *money*.

**debt instrument (n.):** any of a variety of *financial instruments* representing a *debt* suggest as an *IOU*. See also *bill, bond*

**debtor (n.):** an *entity* which *owes* something, typically *money*, to its *creditor*.

**default (n.):** the failure of an *issuer* or other *lender* to make one or more *contractual* payments of *principal* or *interest* due on a *bond* or other *debt instrument*.

**default (v.):** to fail to make a payment due on a *bond* or other *debt instrument*.

**default risk (n.):** the probability of *default* (n.).

**demand (n.):** 1) the quantity of a *good* that *buyers* desire to purchase at any given *price*; 2) a request for immediate payment or *conversion*. See also *demand* (v.)

**demand (v.):** to request a payment or *conversion* that has fallen due. See also *call, demand liabilities*

**demand liabilities (n.):** *liabilities* that *lenders* can *call* (*demand* the payment of) on demand (n., 2, no or short notice). See also *bank notes, checking deposits*

**denomination (n.):** the *face value* of a *bank note, bill of credit, or coin*.

**depositor (n.):** an *entity* that *owns* a *bank deposit*.

**depository institution (n.):** any type of *bank* that issues *deposits*, including *Building and Loan associations, commercial banks, credit unions, mutual savings banks, Savings and Loan associations, savings banks, and universal banks* but not *investment banks*.

**deposit (n.):** a sum owed by a *bank* to a *depositor*. See also *checking deposits, savings deposits*

**deposit (v.):** to create any variety of a *deposit* (n.) in a *bank* by placing *money* at its disposal or by obtaining a *loan* from it.



**derivative (n.):** a financial instrument the *monetary value* of which is linked to the price of some *underlying asset*. See also *forwards, futures, options, swaps*

**direct public offering (DPO) (n.):** an offering of *shares* in itself by a *business entity* to members of the public directly, to wit without the *services* of an *investment bank* or other *intermediary*.

**discount (n.):** a type of *loan* whereby a *bank* or other *lender* pays the *borrower* the *discounted present value* of a *promissory note* or *bill of exchange* in *exchange* for the right to collect the *face value* of the discounted *instrument* at its *maturity*.

**discount (v.):** to make a *discount loan* by paying the *discounted present value* of a *financial instrument* in *exchange* for the right to collect its *face value* at its *maturity*.

**discounted present value (v.):** is the *price (present value)* of an *asset* determined by the formula  $PV$  (price) equals  $FV$  (*future value* or *face value*) divided by one plus the *interest rate*. Note that for any interest rate greater than zero the equation will yield a price less than the face value. The difference between the face value and current price is the time value of *money*.

**dishonor (v.):** an archaic term meaning to *default (v.)*. See also *honor*

**disintermediation (n.):** the process or condition of reducing *exchanges* between *borrowers* and *lenders*. See also *intermediation*

**double entry (adj.):** a method of keeping *accounts* that is more sophisticated than *single entry* because it involves describing both the *credit* and *debit* aspect of each *exchange*.

**draft (n.):** a written request for payment, typically to a third party, drawn by a *creditor* of the *payer*. See also *check, sight draft, time draft*

**drawee (n.):** the *entity* being *drawn upon* by a *drawer* or putative *creditor*; 2) the *acceptor*; 3) the *payer*.

**drawer (n.):** the *entity drawing on* its money in the possession of its putative *debtor* or *drawee*.

**draw on (v.):** to formally request a putative *debtor* to make payment per the terms specified in a *check, draft, or bill of exchange*.

**economic contraction (n.):** See *recession*

**economic history (n.):** the study of past states of the *economy* using the analytical tools of *economists* and the source material of historians. See also *history of economic thought*

**economics (n.):** the social science devoted to the study of the *economy*, especially the production and consumption of *goods*. See also *economists*

**economists (n.):** individuals who study *economics*.

**economy (n.):** the sum total of all the interactions of *entities* in *markets* at any given time. See also *aggregate output, gross domestic product*

**entity (n.):** 1) a *firm*, government, individual, *organization*, or *business entity*; 2) an *economic* unit of production and/or consumption.

**entity shielding (n.):** a privilege that protects the *assets* of *corporations* from seizure by the *creditors* of *bankrupt* owners, typically *stockholders*.

**entrepreneur (n.):** 1) generally, any *entity* that attempts to increase its *utility* by innovating; 2) an individual who establishes a new *business entity*; 3) a *business entity* that attempts to invent a new *good*, develop a new *market*, introduce a new method of production or distribution, discover a new source of supply, reorganize an existing industry, or engage in *rent-seeking*.

**entrepreneurship (n.):** the state or condition of being an *entrepreneur*.

**equity (n.):** 1) a share in a *corporation*; 2) *net worth*.

**equity market (n):** a *market* where *equities* or *shares* are exchanged. See also *stock exchange*

**exchange (n.):** 1) the process of engaging in *exchange* (v.); 2) a physical location for trading *securities*; 3) an *entity* that maintains an exchange (2).

**exchange (v.):** to give one thing for another, typically *money* for a non-monetary *good*.

**expansion (n.):** a state of the economy during which *aggregate output*, typically as measured by *Gross Domestic Product*, increases past all previous levels.

**expenditures (n.):** *money* that flows out of one *entity* and, typically, into another. See also *income*, *revenue*

**exploitation (n.):** the stealing of *resources* from another, typically weaker, *entity*.

**exports (n.):** *goods* produced domestically but *consumed* abroad or consumed by foreign *entities* domestically (e.g. tourism).

**externalities (n.):** a type of *market failure* created when *prices* do not reflect the full *costs* or *benefits* of a *good* to society. See also *negative externalities*, *positive externalities*

**face value (n.):** the *monetary value* expressed on (the face of) a *financial instrument*, *bank note*, or *coin*.

**Federal Reserve System (Fed) (n.):** the U.S. *central bank* established in 1913 and still in operation today.

**Federal Reserve Notes (FRN) (n.):** *fiat paper money* issued by the *Federal Reserve System*.

**fiat money (n.):** 1) a type of *non-commodity money*, typically made of paper or token coins, that derives its value from *legal tender* provisions; 2) *fiduciary money*. See also *paper money*, *token coins*

**fiduciary money (n.):** 1) a type of *non-commodity money* composed of substances with a monetary value far below the *face value* of the fiduciary note or *coin* that derives its value from the public's belief that they will be able to *exchange* the money at its face value due to its current widespread acceptance; 2) *fiat money*. See also *paper money, token coins*

**final goods (n.):** goods that are consumed or invested and not used in the production of other goods.

**finance (n.):** the science of managing *assets*, including *money*.

**finance (v.):** to obtain the *money* necessary to attempt completion of some *project*.

**financial condition (n.):** the overall status of an *entity's assets, liabilities, equity (capital), income, and cash flow* at any given time.

**financial crisis (n.):** a period characterized by rapid reductions in the *monetary value* of *financial assets* and the *market capitalization* of *financial institutions* and, typically, non-financial *entities* as well. See also *bank run, credit crunch, financial panic, stock market crash*

**financial guarantee (n.):** a type of *financial obligation* whereby the guarantor or surety promises to pay some third party if a guaranteed *entity defaults* on its *debt* or otherwise fails to perform according to *contract*.

**financial industry (n.):** the sum of all *business entities* serving any *financial market*.

**financial institution (n.):** 1) narrowly, a *business entity* that provides *financial service(s)*; 2) broadly, any business or government *entity* involved in any way in any *financial market*.

**financial instrument (n.):** any variety of *financial contract*, including *cash, bond, equity, or derivative*.

**financial market (n.):** any *market* for any *financial instrument* or *financial service*.

**financial obligations (n.):** anything owed, owing, or potential owing, such as *liabilities, endorsements, and financial guarantees*.

**financial panic (n.):** a period characterized by the panicked selling of *assets* to increase the *reserves* of *banks* or the *cash* balances of other types of *entities*. See *Panic of 1792 ...*

**financial service (n.):** any of a range of *services* related to *financial instruments, derivatives, insurance, money, intermediation, or any other financial good*.

**financial statement (n.):** a generic term for any type of account of any *entity's financial condition*, including *balance sheets* and *income and cash flow* statements.

**financial system (n.):** all *financial institutions and markets* and their multifarious interconnections.

**financier (n.):** a *banker* or other individual who provides one or more *financial services* on behalf of himself/herself or a *bank, broker, or other intermediary*.

**firm (n.):** 1) any *business entity*; 2) a small or private *business entity* such as a *sole proprietorship* or *partnership*, as in a law firm.

**for profit (n.):** an *organization*, typically a *business entity*, with the common goal of earning a *profit*. See also *non-profit*, *not-for-profit*

**forward contract (n.):** singular version of *forwards*

**forwards (n.):** a type of *derivative* whereby a *buyer* and *seller* agree to *exchange* a specific quantity of some *asset* or other *good* at a future date for predetermined price. See also *futures*

**free ride (v.):** to enjoy the *benefits* of a *good* without paying for it.

**free rider (n.):** any *entity* that *free rides*.

**full-bodied coins (n.):** 1) *specie*; 2) *coins* that derive their *monetary value* from the intrinsic value of the *gold*, *silver*, *copper* (or occasionally other metal) they contain rather than from a *legal tender* provision; *non-token coins*.

**fundamental value (n.):** the rational value of an *asset* based on its intrinsic characteristics and *interest rates*.

**future value (n.):** the *principal*, *par value*, or *face value* of a *bond* or other *debt instrument*, so called because that is the *monetary sum* promised to be paid in the future.

**futures (n.):** a type of *derivative*, specifically a *forward contract* that has been standardized and trades on an *exchange*.

**gold (n.):** a metallic element with symbol Au and atomic number 79 used, among other things, to create *full-bodied* and *token coins*. See also *specie*

**good (n.):** a *product* or *service* that someone values greater than zero, that people are willing to pay in order to obtain. See also *bad*

**government bond (n.):** a *bond* issued by a national or municipal (sub-national) government. See also *municipal bond*; *sovereign bond*

**government expenditure (G) (n.):** 1) *money* spent by the government on *final goods* (i.e., not simply redistributed to citizens via Social Security or other social programs); 2) one of the major components of *aggregate output (Y)*.

**government failure (n.):** the inability of a government to meet one or more of its goals due to its own inadequacy. See also *regulatory capture*

**gross domestic product (GDP) (n.):** one of the most widely used estimates of *aggregate output (Y)*.

**Hamilton's Rule (n.):** a rule developed by Treasury Secretary Alexander Hamilton (1755-1804) during the *Panic of 1792* that instructs *central banks* or other *lenders of last resort* to *lend* freely at a *penalty rate of interest* to any *entity* that can post sufficient *collateral*.

**health insurance (n.):** an *insurance policy* that *indemnifies policyholders* if a covered event, such as an illness or hospitalization, occurs while the policy is in effect.

**history of economic thought (n.):** the study of past beliefs of *economists*. See also *economic history*

**honor (v.):** archaic term meaning to make payment.

**human capital (n.):** the ability of individuals to create *goods*.

**hybrid corporation (n.):** a *corporation* that is partly owned by *stockholders* and partly by customers; 2) a corporation that is part *joint-stock* and part *mutual*.

**hybrid failures (n.):** intricate combinations of *market failures* and *government failures*.

**illiquid (adj.):** the condition of an *asset* that cannot be sold in timely manner at or close to its *fundamental value*. See also *illiquidity, liquid, liquidity*

**illiquidity (n.):** the state of being *illiquid*. See also *liquid, liquidity*

**imports (n.):** *goods* produced abroad but *consumed* domestically or purchased abroad by citizens of the importing nation (e.g. tourism).

**income (n.):** *money* that is incoming, that flows into an *entity*. See also *expenditure*

**indemnify (v.):** to compensate for a damage or loss actually incurred.

**inflation (n.):** sustained increases in the *price level*.

**initial public offering (IPO) (n.):** an offering of *shares* in itself by a *business entity* to members of the public with the aid of an *investment bank* or other *intermediary*.

**in-kind loan (n.):** the *lending* of a specific *good* rather than of *money*.

**inland bill (n.):** a *short-dated financial instrument drawn on* a domestic *entity*. See also *bill of exchange*

**insolvency (n.):** the inability of an *entity* to pay legitimate demands on it, either from *bankruptcy* or *illiquidity*.

**insurance (n.):** a mechanism for spreading *risks*, typically in an *actuarially* or scientifically sound manner, through the issuance of *insurance policies*.

**insurance agent (n.):** an *agent* hired by an *insurance company* or other *insurer* to sell its *insurance policies* and to provide basic customer service.

**insurance company (n.):** a *business entity*, typically in the form of a *corporation*, that acts as an *insurer*.

**insurance policy (n.):** a contract specifying the terms upon which an *insurer* promises to *indemnify* the *policyholder* or *insured* for some loss.

**insured (n.):** the *entity* reimbursed when/if some contingency specified in an *insurance policy* occurs. See also *policyholder*

**insurer (n.):** the issuer of an *insurance policy*.

**instrument (n.):** 1) a *financial instrument*; 2) a *monetary policy* tool.

**interest (n.):** 1) the opportunity cost of *money*; 2) a rental charge for the use of *money*.

**interest-only loan:** a *loan* in which the *borrower* repays no principal, only *interest*, forever (*perpetuity*) or for some pre-specified period.

**interest rate (n.):** 1) the *interest* (promised or received) over some period, typically a year, divided by the *principal* of a *bond* or other *loan*, generally expressed as a percentage; 2) *yield*. See also *rate of return*

**intermediary (n.):** any *entity*, but typically a *business entity*, that *brokers exchanges* between *lenders* and *borrowers*. See also *banks*, *insurers*

**intermediation (n.):** 1) the function of an *intermediary*; 2) the process of *brokering exchanges* between *borrowers* and *lenders*. See also *disintermediation*

**investment (n.):** 1) an *asset* purchased by an *investor* with the aim of earning a *profit*; 2) a major component of *aggregate output* (Y) that measures purchases of machines, factories, and inventory by businesses (I).

**investment bank (n.):** a type of *bank* owned and/or run by *investment bankers* that engages in *brokerage*, *issuance of securities*, and *merger and acquisition* consulting.

**investment banker (n.):** a *banker* primarily engaged in *brokerage*, *issuance of securities*, and *merger and acquisition* consulting.

**investment banking (n.):** the activities of an *investment banker*.

**investor (n.):** an entity that intends to earn a *profit* by buying, holding, or selling a *financial instrument* such as a *bond* or *equity*.

**IOU (n.):** a *short-dated debt instrument*, like a *promissory note*, so called because “I owe you.”

**issuance (n.):** the act of *issuing*.

**issue (n.):** a thing, typically a *bank note*, *coin*, *deposit*, *insurance policy*, or *security*, *issued*.

**issue (v.):** to emit, put into *circulation*, or put into effect.

**issuer (n.):** any *entity* that *issues* (v.) any type of *issue* (n.).

**joint-stock company (n.):** an unincorporated or unchartered *business entity* owned by stockholders. See also *joint-stock corporation*

**joint-stock corporation (n.):** a type of *corporation* owned by *stockholders*. See also *hybrid corporation, joint-stock company, mutual corporation*

**journal (n.):** a type of *double-entry account book* that tracks transactions chronologically first, then by category.

**ledger (n.):** a type of *double-entry account book* that tracks transactions by category first, then chronologically within each category.

**legal tender (n.):** 1) an obligation created and enforced by governments on *entities* to accept a specific *medium of exchange* at its *face value* in either a) all debts public and private (full tender) or b) all public debts (public tender); 2) any medium of exchange that enjoys full legal tender status. See also *fiat money*

**lemons problem (n.):** a famous example of *adverse selection* and *asymmetric information* wherein *buyers* of used vehicles pay too much for unreliable automobiles, trucks, and so forth.

**lender (n.):** any *entity* that provides *principal* to a *borrower* in exchange for repayment of the principal plus *interest* in the future.

**lender of last resort (n.):** a *central bank* or other *monetary authority* charged with *lending* to *entities* in the wake of a *financial crisis* or *panic* when other sources of loans are less or completely unavailable due to high degrees of *risk* and/or *uncertainty*.

**liability run (n.):** when *depositors, lenders, or other creditors call* or refuse to renew *loans* to an *entity*, such as a *bank*. See also *bank run*

**liabilities (n.):** anything owed by one *entity* to another. See also *demand liabilities*

**life insurance (n.):** an *insurance policy* that *indemnifies* a *policyholder* or *beneficiary* if a covered event, such as the death of the *insured*, occurs when the policy is in effect. See *term life, whole life*

**limited liability (n.):** a common feature in *charters* that protects *stockholders'* personal wealth in the event of the *corporation's bankruptcy*.

**liquid (adj.):** the condition of an asset that can be easily or quickly sold for cash at close to its monetary value. See also *illiquid, liquidity*

**liquidity (n.):** 1) the state of being *liquid*; 2) *cash* issued by a *central bank* or other *monetary authority* to render *assets* more liquid. See also *illiquid*

**loan (n.):** a type of contract whereby a *borrower* promises to repay to a *lender* the *principal* sum borrowed plus *interest*.

**Lockean government (n.):** a government ostensibly dedicated to the protection of the lives, liberty, and property of its citizenry.

**long-dated (adj.):** having more than a year to *maturity* but not a *perpetuity*.

**loss (n.):** 1) the *sale* of an *asset* at less than its *purchase price*; 2) diminution of the *monetary value* of an *asset* for which *indemnification* from an *insurer* on an *insurance policy* is sought; 3) the negative difference between a *business entity's* total *revenues* and its total *costs*. See also *profit*

**Madisonian constitution (n.):** a frame of government that limits tyranny through the use of checks and balances or the diffusion of power over multiple branches or levels of government.

**management (n.):** 1) all of the *managers* of an *entity*; 2) the art and science of efficiently operating large, complex organizations, especially *joint-stock corporations*.

**manager (n.):** an individual charged with administering, running, or operating a *business entity* or *organization*.

**market capitalization (n.):** the *monetary value* of a *corporation* calculated by multiplying the price of one of its *shares* by the total number of shares outstanding.

**market failure (n.):** the inability of a *market* to achieve one or more of its goals due to its own inadequacy. See also *asset bubbles*, *asymmetric information*, *externalities*, *market power*, *public goods*

market power (n.):

**markets (n.):** wherever or how ever *entities* exchange *goods* at *prices* determined primarily by *supply* and *demand*.

**maturity (n.):** the date when a *debt instrument's* *principal* falls due and needs to be paid lest a *default* be declared.

**media of exchange (n.):** anything that *circulates* hand to hand as *cash money*. See also *bank notes*, *bills of credit*, *checking deposits*, *Federal Reserve notes*

**merger (n.):** the *balance sheet consolidation* of two *business entities*, typically of similar size, the result of which is a new, larger entity.

**monetary authority (n.):** the *central bank*, *currency board*, or other government agency charged with developing and implementing a nation's *monetary policy*, including the *money supply* and *interest rates*.

**monetary policy (n.):** the actions of *monetary authorities*, such as *central banks*, designed to influence the *money supply* and *interest rates*.

**monetary value (n.):** the *price* or worth of something in terms of *money*, as opposed to *use value*.



**money (n.):** 1) physical *media of exchange*; 2) abstract *unit of account*; 3) long-term *store of value*. See also *base money, bills of credit, cash, circulation, coins, commodity money, currency, deposits, Federal Reserve Notes, fiat money, specie*

**money of account (n.):** *monetary values* represented in *account books*.

**money supply (n.):** the total *monetary value* of all the *money* in actual *circulation* or use in an economy.

moral hazard (n.):

**mortgage (n.):** a type of *loan* wherein the *borrower* pledges *real estate* as *collateral*.

**municipal bond (n.):** a type of *government bond* issued by a sub-national government such as a state, county, or city.

**mutual corporation (n.):** a type of *for profit business corporation* owned by its customers, typically its *depositors* or *policyholders*. See also *credit union, mutual savings bank*

**mutual savings bank (n.):** a type of *savings bank* or *thrift* owned by its *depositors* but not chartered as a *credit union*. See also *mutual corporation*

**negative equity (n.):** when the net worth of an entity is less than zero. Indicative of *bankruptcy* or *insolvency*.

**negative externalities (n.):** a *market failure* that occurs when the full costs of a *good* are not incorporated in its *price*, as in the case, for example, of *pollution*. See also *positive externalities*

**negotiable (adj.):** transferable from one *entity* to another by sale, gift, inheritance, or other means.

**negotiable certificate of deposit (NCD) (n.):** a large denomination *certificate of deposit* that can be bought and sold like a *bond*.

**net exports (n.):** the *monetary value* of *exports* minus the monetary value of *imports*.

**net worth (n.):** the sum of the *monetary value* of an *entity's assets* and *liabilities*. See also *negative equity*

**nominal price (n.):** the *price* of a *good* in *current dollars*; 2) prices of goods not adjusted for changes in the *price level*.

**non-profit (n.):** an *organization* that is designed not to earn any *profits*. See also *for profit, not-for-profit*

**not-for-profit (n.):** an *organization* that may earn *profits* but that is not primarily oriented toward doing so. See also *for profit, non-profit*

**opportunity cost (n.):** the inevitable cost incurred by *entities* when they choose an activity, thereby precluding the completion of another activity at the same time.

**option holder (n.):** the *owner* of one or more *options*.

**option contract (n.):** See *options*

**options (n.):** a class of *derivatives* including *call options* and *put options*.

**organization (n.):** a group of individuals working closely together towards a common goal. See also *non-profit, not-for-profit*

**over-the-counter (n.):** any *market* for *trading securities* outside of a formal *exchange*, typically coordinated by *brokers* and/or *dealers*.

**owe (v.):** to be obliged to repay, usually a sum of *money*; 2) to possess but not have legal title of *ownership* of.

**own (v.):** 1) to possess; 2) to have legal title to or the legal right to sell, lease, or enjoy.

**owner (n.):** an *entity* that *owns* a *business entity* or *asset*. See also *principal, stockholder*

**ownership (n.):** the state or condition of *owning* (v).

**panic (n.):** See *financial panic*

**Panic of 1792 (n.):** a *financial panic* that originated in the *government bond market* that was successfully thwarted by the application of *Hamilton's Rule*.

**Panic of 1819 (n.):** a *financial panic* that led to a deep *recession* and a re-alignment of U.S. political parties.

**Panic of 1837 (n.):** a *financial panic* that led to a long, deep *recession*.

**paper money (n.):** a generic term for any type of *money* composed of paper, including *fiat monies* and *convertible monies* such as *bank notes*.

**partners (n.):** the individuals who *own* a *partnership*.

**partnership (n.):** a type of *business entity* owned by two or more individuals called *partners*.

**payer (n.):** the *entity* upon which a *draft* is drawn, typically the *drawer's debtor*.

**perpetual succession (n.):** a privilege of *corporations* to change their *owners/stockholders* without having to reconstitute, as *partnerships* traditionally had to do whenever a *partner* joined or left the *business entity*.

**perpetuity (n.):** 1) a *financial instrument* with no *maturity date*; 2) an *interest-only loan*.

**personal estate (n.):** any *asset* owned by an individual that is not *real estate*.

**policyholder (n.):** the owner of an *insurance contract*. See also *insured*

**positive externalities (n.):** a *market failure* that occurs when the full societal benefits of a *good* are not incorporated in its *price*, as in the case, for example, of education. See also *negative externalities*

**premiums (n.):** the price a policyholder must pay to effect an *insurance contract*.

**present value (n.):** the *price* of an *asset* or other *good* today (at the present).

**price (n.):** the *monetary value* of a *good* determined by the interaction of *supply* and *demand* in a *market*.

**price level (n.):** the average of all *nominal prices* in an *economy*. See also *real prices, relative prices*

**principal (n.):** 1) a sum lent or invested upon which interest or rate of return are calculated; 2) the, or one of the, *owners* of an *entity*.

**principal-agent problem (n.):** a specific type of *moral hazard* that occurs when an *agent* acts in its own best interest rather than in the interest of the owner(s). See also *agency costs*

**private bank (n.):** 1) a *bank* operating without a *charter*; 2) a bank that manages the *assets* of wealthy *entities*, typically individuals.

**private banker (n.):** 1) an individual or a member of a *partnership* in an *unchartered bank, i.e., private bank* (1); 2) a *banker* in a *private bank*.

**product (n.):** a physical thing or *contract* that a *business entity* creates, produces, makes, manufactures, or grows

**profit (n.):** the positive difference between a *business entity's* total *revenues* and its total *costs*. See also *loss*

**promissory note (n.):** a *short-dated negotiable debt instrument* such as an *IOU*.

**price (n.):** the amount of compensation or payment a *buyer* gives the *seller* in exchange for a *good*.

**primary reserves (n.):** See *reserves*

**project (n.):** 1) any specific task aimed at achieving a goal; 2) in business, any specific actions taken in an attempt to earn a *profit*.

**public (adj.):** 1) government owned; 2) privately owned by stockholders who are members of the public, as in *initial public offering* or *public company*.

**public company (n.):** 1) a *business entity* that is owned by private individuals (members of the public), typically *stockholders* who can *trade* their *equity* stakes in the company publically; 2) a *joint-stock company* or *corporation*.

**public goods (n.):** a *market failure* that arises when it is not in the interest of any *business entity* to supply a specific *good*, like national defense, because the *entity* cannot easily profit from its provision because such goods are non-excludable (there is no way to force *free riders* to pay) and non-rivalrous (*consumption* by one does not prevent consumption by others).

**put option (n.):** a type of *option derivative* that gives the option holder the right but not the obligation to sell some predetermined *asset* at a predetermined *strike price*. See also *option, call option*

**quarter (n.):** a quarter of a year or three months, typically January, February, March; April, May, June; July, August, September; October, November, December.

**quarterly (adj.):** once every *quarter*. See also *annually, semiannually*.

**rate of interest (n.):** See *interest rate*

**rate of return (ROR) (n.):** 1) the ratio of the *money* lost or gained on an *investment* relative to the *principal* invested over some period, typically a quarter or year; 2) return on investment (ROI).

**recovery (n.):** a state of the economy following a *recession* during which *aggregate output*, typically as measured by *Gross Domestic Product*, increases toward a previous peak.

**real estate (n.):** a type of *asset* consisting of land and any improvements thereto, such as buildings, drainage or sewage systems, roads, wells, and so forth. See also *personal estate*

**real price (n.):** the *price* of a *good* adjusted for changes in the *price level*.

**recession (n.):** a state of the economy during which *aggregate output*, typically as measured by *Gross Domestic Product*, declines.

**regulated firm (n.):** a *business entity* that is subject to the *regulations* of one or more *regulators*.

**regulations (n.):** a set of rules prescribed by a *regulator* describing the *business activities* that can and/or cannot lawfully be undertaken by a *business entity*.

**regulator (n.):** an *entity*, usually a government, that makes and/or enforces *regulations*.

**regulatory capture (n.):** the condition of a *regulated firm* taking control of its *regulator* in whole or part.

**relative prices (n.):** the ratio of the *nominal price* of one *good* to the nominal price of another.

**rent seeking (n.):** attempts to gain something for nothing by manipulating the government to *subsidize* or otherwise support *special interests* at the expense of the *commonweal*.

**required reserves (n.):** See *reserve requirements*

**reserves (n.):** 1) *cash* held by *banks* to meet *calls* on their *demand liabilities*, such as *checking deposits* and *bank notes*; 2) any *asset* that *banks* own to help manage their *liquidity*. See also *required reserves, secondary reserves*.

**reserve requirements (n.):** *reserves* mandated by some *regulator* or law, typically expressed as a percentage of a bank's *demand liabilities*.

**resources (n.):** 1) *goods*, such as *copper*, *gold*, *silver*, oil, diamonds, created by nature rather than by *entities*; 2) in a loose sense, any *asset* or *good*, including more intangible ones like time.

**returns (n.):** *money* that returns to an *investor* on an *investment*. See also *rate of return*

**revenues (n.):** *income* from any source, including the sale of *goods* or returns on investments

**risk (n.):** known volatility in the *rate of return*. See also *uncertainty*

**risk appetite (n.):** the amount of *risk* an *investor* can tolerate. See also *risk aversion*

**risk averse (adj.):** avoidance of risk even at a high cost.

**risk aversion (n.):** the practice of being *risk averse*.

**risks (n.):** 1) the *risk* represented by an *entity* seeking a *loan* or *insurance*; 2) the entity itself.

**risky (adj.):** characterized by excessive *risk*, either for the expected *rate of return* or for the investor's *risk appetite*.

**Savings and Loan association (n.):** a type of *savings bank* with a Savings and Loan *charter* designed to modernize the older *Building and Loan association* form.

**savings bank (n.):** a generic term for any *bank* that focuses on making *mortgage loans* and *issuing savings deposits*, including but not limited to *credit unions*, *mutual savings banks*, and *Savings and Loan associations*.

**savings deposit (n.):** 1) a type of *time deposit* in a *bank* that earns *interest* in exchange for a decrease in its *liquidity*.

**secondary reserves (n.):** a sort of back up form of *reserves* held by banks that earns income but is *liquid* (readily convertible into *cash*).

**securities (n.):** any *negotiable financial instrument*, including *debt*, *equity*, and *hybrid* instruments.

**securities exchange (n.):** See *exchange*

**seller (n.):** the entity in a *trade* that gives up a non-monetary *good* and receives *money* in exchange.

**semiannually (adj.):** twice a year or every six months. See *annually*, *quarterly*

**service (n.):** a *good* consumed at the point of contact with the service provider including but not limited to consulting, education, healthcare, and retail. See also *financial services*

**share (n.):** 1) a *financial instrument* representing an *ownership* or *equity* stake in a *joint-stock corporation*; 2) an *equity*.

**shareholder (n.):** See *stockholder*

**short (v.):** 1) to *sell* an *asset* under the expectation of *buying* it back later at a lower *price*; 2) *borrowing assets*, typically *equities*, *selling* them in the expectation of a *price* decrease, then buying them back later to repay the *in-kind loan*.

**short (adj.):** having fewer *shares* (or other *assets*) than necessary to repay the *in-kind loan* taken at the start of a *shorting* operation, as in the expression “caught short.”

**short-dated (adj.):** having less than a year to *maturity*.

**short sale (n.):** 1) traditionally, a transaction whereby an *entity shorts* an *asset*; 2) more recently, the sale of a home for less than the outstanding *mortgage* balance.

**shorting (v.):** the process of making a *short sale*.

**sight draft (n.):** a *draft* due upon its *acceptance* for payment by the *payer*. See also *time draft*

**silent run (n.):** a type of *bank run* or *liability run* characterized by the refusal of creditors to renew short-term loans to a *bank* or other *entity*.

**silver (n.):** a metallic element with the symbol *Ag* and the atomic number *47* used to create *full-bodied* and *token coins*. See also *specie*

**single entry (adj.):** a simple method of keeping accounts that entails listing the major attributes (e.g., date, price, counterparty) of *exchanges*.

**sole proprietor (n.):** the owner of a *sole proprietorship*.

**sole proprietorship (n.):** a type of *business entity* owned and operated by a single individual.

**sovereign bond (n.):** a government bond issued by a sovereign national government. See also *Treasury bond*

**special interests (n.):** *entities* that engage in *rent seeking* or other activities designed to *subsidize* them at the expense of others, or the *common weal*.

**specialty (n.):** a type of *contract* where the parties agree that payment will be made in a specific *medium of exchange*, such as *gold* or *silver*.

**specie (n.):** full-bodied (i.e., non-*token*) *gold* or *silver coins*. See also *bullion*

**speculate (v.):** to engage in speculation.

**speculation (n.):** an attempt to earn quick *profits* by *buying assets*, typically *securities*, low and *selling* them high or *vice versa*, as in *shorting*.

**spread (n.):** 1) the difference between a *dealer's bid price* and its *ask price* for a *security*; 2) the difference between what a *bank* receives for its *assets* and pays for its *liabilities*.

**stock (n.):** 1) synonymous with *equity* (1) and *share* (1); 2) archaic for *government bond*.

**stock exchange (n.):** See *exchange* (n.)

**stock market (n.):** 1) *exchange* (n.); 2) any market in which stocks are traded, including exchanges but also *over-the-counter* or *broker-dealer* markets.

**stock market crash (n.):** a type of *financial crisis* characterized by rapid decreases in the *prices* of a broad swath of *equities*.

**stockholder (n.):** an owner of one or more *shares* (*stocks, equities*) in a *joint-stock corporation*.

**stockjobbing (v.):** *buying* and *selling securities* in order to *speculate*.

**stockjobber (n.):** an archaic term for any *entity* that engages in *stockjobbing*.

**store of value (n.):** any *asset* that maintains most or all of its *monetary value* over long periods of time, e.g. years.

**strike price (n.):** the predetermined price at which an *option derivative* can be contractually exercised by the *option holder*.

**swap (n.):** a type of *derivative* whereby two parties *exchange* one *asset* for another on an on-going basis according to the value of some *underlying asset*, for example dollars for yen.

**subsidize (v.):** to grant a *subsidy* to an *entity*.

**subsidy (n.):** *resources*, typically but not always *money*, given to an *entity*, usually by a government.

**sunk costs (n.):** *costs* that have already been incurred and cannot be recouped.

**supply (n.):** the quantity of a *good* that *sellers* make available at any given *price*. See also *demand*

**suspension of specie payments (n.):** when *banks of issue* ceased *converting* their *bank notes* and *deposits* into *specie* due to their *bankruptcy, insolvency*, or a general suspension of payments in times of war or *financial panic*.

**term life (n.):** an *insurance policy* that *indemnifies* a *policyholder* or *beneficiary* if the *insured* dies during the duration (term) of the *contract*. See also *whole life*

**thrift (n.):** a *depository institution* with a *community bank* focus such as *credit unions* and *savings banks*.

**time deposit (n.):** a type of *deposit*, like a *savings deposit* or a *certificate of deposit*, that cannot be withdrawn by the depositor until a specified period has elapsed or a penalty had been paid.

**time draft (n.):** a *draft* due some days, weeks, or months after its *acceptance* for payment by the *payer*. See also *sight draft*

**token coinage (n.):** a type of *fiat money* that takes the form of *coins* that contain metals worth considerably less than the coin's *face value*

**trade (n.):** an *exchange of goods*, typically between two *entities*.

**trade (v.):** to engage in a *trade*.

**transaction deposits (n.):** See *checking deposits*

**Treasury bill (n.):** a *short-dated sovereign bond* issued by the U.S. Treasury to help manage the U.S. government's *cash flow* needs.

**Treasury bond (n.):** a *sovereign bond* issued by the U.S. Treasury to fund U.S. government *budget deficits*.

**unbanked (n.):** *entities*, typically individuals, who do not *bank* (v.).

**uncertainty (n.):** unknown/unknowable volatility in the *rate of return*. See also *risk*

**underlying asset (n.):** an *asset* that contractually determines the price of another asset.

**unit bank (n.):** a *bank* that does not, probably because it lawfully cannot, operate any *branches*.

**unit of account (n.):** 1) the abstract measuring rod against which *monetary values* are determined; 2) *money of account*.

**universal bank (n.):** a type of *bank* that combines the functions of a *depository institution* with those of an *investment bank*.

**usage (n.):** the period between the *issuance* or *acceptance* of a financial instrument, such as a bill of exchange, and its *maturity* or due date.

**use value (n.):** the worth or *utility* of a *good* stemming from its actual utilization or *consumption*.

**utility (n.):** an *economic* concept measuring an *entity's* relative satisfaction with a *good*.

**whole life (n.):** a *life insurance policy* that *indemnifies* a *policyholder* or *beneficiary* when the *insured* dies, if the policy is current or has been paid up, and that can be *cash*ed or *borrowed* against using the *cash value* of the policy as *collateral*. See also *term life*

**yield (n.):** 1) the current yield, or the *income* (typically the annual *dividends* or *coupons*) from some *investment* divided by the *investment's* current *price*; 2) the yield to maturity or discounted cash flow rate of return.