

# Glossary

- **Reparation payments:** Compensation demanded by a victorious nation from a defeated nation.
- **Elasticities of demand:** to show the responsiveness, or the change in quantity demanded of a good or service to a change in its price.
- **Terms of Trade:** the ratio of an index of a country's export prices to an index of its import prices.
- **Price inelastic:** the quantity demanded or supplied of a good or service is unaffected when the price of that good or service changes.
- **Deterioration:** the process of becoming progressively worse.
- **Substitute goods:** two goods that could be used for the same purpose.
- **Debtor country:** A nation with a cumulative balance of payments deficit. A debtor nation has negative net investment after recording all of the financial transactions it has completed worldwide.
- **Capital flows:** Capital flows refer to the movement of money for the purpose of investment, trade or business production, including the flow of capital within corporations in the form of investment capital, capital spending on operations and research and development (R&D).
- **World War:** a war involving many large nations in all different parts of the world.
- **Crowding out:** Crowding out is a situation where personal consumption of goods and services and investments by business are reduced because of increases in government spending and deficit financing sucking up available financial resources and raising interest rates.