GLOSSARY

Absolute Advantage	The capacity of one economy to produce a good or service with fewer resources than another.
Arithmetical progression	A number sequence (such as 1,3,5,7,9,11,13…) that has the *same difference* (in this case, 2) between each number in the sequence; associated with food production in the pessimistic theories of Thomas Malthus.
Comparative Advantage	The capacity of one economy to produce a good or service with comparatively fewer resources than another (e.g. having a lower opportunity cost).
Corn Laws	Early 19th-century taxes on grains imported into Britain that drove up the market price of domestic grain in order to benefit the landed classes. These taxes become a focus of opposition for David Ricardo's wage and free trade theories.
division of labour	The specialization of workers in a complex production process, leading to greater efficiency
geometrical progression	A number sequence (such as 2,4,8,16,32,64…) that has the *same ratio* (in this case, 2) between each number in the sequence; associated with population growth in the pessimistic theories of Thomas Malthus.
Industrial Revolution	The period of technological innovation and factory production, beginning in Britain in the late 18th century, that eventually changed the economy from one that was largely agricultural and rural to one that was industrial and urban.
invisible hand	Adam Smith's notion that the unintended result of an individual producer's desire for profit is the supply of the whole society with the goods and services it needs, together with reasonable price levels ensured by competition.

labour value	Karl Marx’s notion that the value of any item is equal to the value of the labour used to produce it.
laissez-faire	A French term meaning “leave to do” or “let alone,” which became associated with the idea that an economy operates best if individuals are allowed to pursue their own self-interest without government interference.
law of accumulation	Adam Smith’s theory that businesspeople who invest a percentage of their profits in new capital equipment increase the economy’s stock of capital goods, thus ensuring economic growth and future prosperity.
law of population	Adam Smith’s theory that the accumulation of capital by businesspeople requires more workers to operate the equipment, leading to higher wages, which in turn lead to better living conditions, lower mortality rates, and an increase in population.
mercantilism	An economic system that emphasized state control of trade, with the goal of exporting as many goods as possible and importing as few foreign goods as possible.
monetarist	A belief that the most effective way for government to affect the economy is by regulating the money supply.
physiocrats	A believer in the 18th-century philosophy that argued that laws created by humans are artificial and unnecessary because they interfere with natural laws, such as an individual’s pursuit of self-interest, which would ultimately benefit all of society.
positive checks	Thomas Malthus’s theory that war, famine, and disease would check population increases to some extent, but not enough to prevent the geometric progression of the world’s population to unsustainable levels.

preventive checks	Thomas Malthus's theory that restraints such as late marriage and sexual abstinence would help reduce the birth rate to some extent, but not enough to prevent the geometric progression of the world's population to unsustainable levels.
Protectionist	A policy of limiting imports through tariffs.
Self - Interest	An idea, central to the philosophy of Adam Smith, that each individual's strongest drive is to better his or her own condition.
Surplus value	The difference between the value of a good measured in terms of the labour used to produce it, and its higher selling price, a surplus that Karl Marx believed was stolen from labour by capitalists.
tariff	A tax on an import levied by a nation; also called custom duty.
Traditional Economy	Practices of the past guide this type of economy. The goods and services produced today are the same as those produced in the past, and the manner of production has not changed. Traditional practices and skills are passed on from generation to generation, usually within the same family. The quantity of total output does not vary greatly from year to year. This type of economy is usually found in a relatively static subsistence society in which people engage in long-term planning and focus primarily on surviving the challenges of each day. Each family's economic strategy is to be as self-sufficient as possible. The question of *what* to produce is determined by the needs of the family, whose members product the goods *for their own use.* Any surplus goods are usually traded with other families for essential items.