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| **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. |
| **Division of labour** | The specialization of workers in a complex production process, leading to greater efficiency. |
| **Law of accumulation** | Adam Smith's theory that business people 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. |
| **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. |
| **Protectionist** | A policy of limiting imports through tariffs. |
| **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. |
| **Positive check** | 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 check** | 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. |
| **Bourgeoisie** | Term used by Karl Marx for industrial capitalists who, he theorized, would be overthrown by the working class. |
| **Proletariat** | Term used by Karl Marx to describe the working class who, he theorized, would rise up and overthrow the bourgeoisie, or industrial capitalists. |
| **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 the capitalists. |
| **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. |
| **Tariff** | A tax on an import levied by a nation; also called custom duty. |
| **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. |
| **Law of population** | Adam Smith's theory that the accumulation of capital by business people 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. |
| **Absolute advantage** | The capacity of one economy to produce a good or service with fewer resources than another. |
| **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). |
| **Labour value** | Karl Marx's notion that the value of any item is equal to the value of the labour used to produce it. |
| **arithmetical progression** | A number sequence that has the same difference between each number in the sequence. |
| **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 land owner classes. |
| **geometrical progression** | A number sequence that has the same ratio between each number in the sequence. |
| **monetarist** | A belief that the most effective way for government to affect the economy is by regulating the money supply. |
| **physiocrat** | 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. |