Glossary of Terms

Accountability: assuming responsibility for one's actions (Lesson 4)

Allocative efficiency: a situation in which consumer preferences are maximized; it is not possible to make one person better off without making someone else worse off; a situation in which consumers are able to obtain the goods and services that best satisfy their individual preferences, given their income constraints (Lesson 8)

Asymmetric information: a situation in which one person in a transaction has more information than the other person (Lesson 3)

Character: intentions and conduct relating to virtue (Lesson 3)

Civic virtue: actions in the public arena that promote positive externalities (Lesson 5)

Coercion: the use of power to produce a non-voluntary exchange; taking unfair advantage of others (Lesson 5)

Competition: a situation of many independent buyers and sellers in which no single participant can influence the market price (Lessons 3, 5 and 6)

Consumer welfare: the analysis of gains or losses to buyers; the ability of an economy to satisfy individual consumer preferences (Lesson 8)

Cooperation: action undertaken through voluntary collective effort (Lesson 4)

Corruption: granting a public favor for pay or other remuneration (Lesson 5)

Courtesy: consideration of others (Lesson 4)

Demand: quantity of a good or service that buyers are willing and able to buy at all possible prices during a period of time (Lesson 7)

Discipline: control of one's emotions or actions (Lesson 4)

Discrimination: valuing or treating people unequally (Lesson 4)

Duty: obligations to oneself or others (Lesson 3)

Duty-based ethics: a moral philosophy that discerns right or wrong based on the analysis of one's obligations (Lessons 6 and 7)

Economic inequality: a situation in which the distribution of income or wealth differs within a group; a situation in which people in a society have large differences in incomes (Lesson 10)

Economic model: a simplified picture of reality which hypothesizes causality between variables in order to predict or understand outcomes (Lesson 1)

Economics: the study of how society deals with scarcity (Introduction)

Efficiency: achieving a goal most effectively; in economics, achieving the goals of productive and allocative efficiency (Lesson 5)

Enlightened self-interest: considering the needs of others as a means of enhancing one's own well-being (Lesson 3)

Enterprise: risk-taking and strength of effort (Lesson 4)

Equilibrium price: the value at which the quantity demanded equals the quantity supplied in a market (Lesson 7)

Ethics: the study of right and wrong actions (Introduction)

Exploitation: paying a worker less than the marginal value produced (Lesson 6)

Facts: knowledge about the world (Lesson 1)

Fairness: a concern for equal outcome or equal opportunity (Lessons 2 and 10)

Fiduciary duty: the obligation of one party to another party; a situation in which trust is expected (Lessons 1, 3 and 9)

Greed: excessive desire for something (Lesson 2)

Gresham's Law: a theorem that posits that only one form of commodity money can circulate in the long run because weaker money will drive out the stronger money; the thesis can be used to posit that only one type of labor or environmental regulations can exist in the same market because weaker regulators will drive out stronger ones (Lesson 6)

Honesty: truthfulness (Lesson 4)

Human rights: a concern for the inherent dignity, worth and essential liberties of individuals (Lesson 6)

Ideology: a framework of beliefs or theories about the world (Lesson 1)

Incentives: rewards and penalties that affect behavior (Lessons 3, 4, 7 and 8)

Income: earnings over a time period, such as a year (Lesson 10)

Invisible hand: Adam Smith's idea that humans are guided by instincts, which in the right institutional setting will produce a harmonious order (Lesson 4)

Justice: A concern for fairness in outcomes or in rules and opportunities; the fair treatment of everyone (Lessons 6 and 10)

Market: a mechanism that brings buyers and sellers together to facilitate exchange (Lessons 4 and 5)

Moral hazard: a situation in which one party to a transaction has both an incentive and the ability to extract unearned rewards from another party or behave unethically (Lessons 1 and 3)

Normative economics: the study of what is most desirable, requiring value judgments (Lessons 1 and 8)

Outcomes-based ethics: a moral philosophy that discerns right or wrong action based on the consequences produced by the action (Lessons 6 and 7)

Positive economics: the study of facts and theories about the way the world works (Lessons 1 and 8)

Price ceiling: a maximum legal price (Lesson 7)

Principal-agent agreement: a contract in which an owner employs a manager or employee with expectations of fiduciary behavior (Lesson 9)

Productive efficiency: achieving maximum output for a minimum of input (Lesson 8)

Profit: the reward to entrepreneurs or business owners; what is left after all other costs have been covered (Lesson 9)

Prudence: appropriate regard to one's own safety and well-being (Lesson 2)

Rational behavior: actions that consistently enable a person to achieve a goal (Lesson 2)

Responsibility: upholding one's duties and obligations to oneself and others (Lesson 4)

Scarcity: a situation of wants exceeding limited resources (Lesson 5)

Self-interest: concern for one's own safety and well-being (Lessons 2, 3, 4 and 5)

Shareholder: a person with ownership rights to a firm (Lesson 9)

Social responsibility of business: the idea that for-profit firms have obligations beyond shareholders to communities, workers or others (Lesson 9)

Specialization: focusing on producing a few things, as opposed to making all things (Lesson 1)

Stakeholder: a person, firm or community affected by a business (Lesson 9)

Supply: the amount of a good or service that producers are willing and able to offer for sale at each possible price during a given period of time (Lesson 7)

Tolerance: openness to or acceptance of differences (Lesson 4)

Values: principles or beliefs that guide behavior and choice (Lesson 1)

Veil of ignorance: a technique used by philosopher John Rawls to discern rules of justice (Lesson 10)

Virtue-based ethics: a moral philosophy that discerns right or wrong based on whether one's actions contribute to the formation of good character (Lessons 6 and 7)

Wealth: accumulated assets owned at a point in time (Lesson 10)

Welfare economics: the evaluation of an economic system based on how well it maximizes the well-being of its people (Lesson 8)