

✓ use in pub. force,
✓ " " resource etc

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Glossary, Ec. 1, Fall 03

These Keywords will help you learn, hold, and retrieve information. A word is a "mnemonic" device (memory aid). It is a label on a file in your mind, that you use to organize, sort, and retrieve stored data. Label your mental files with Keywords.

The Keywords used in a particular profession are called "terms of art." To understand economics you must learn its peculiar terms of art, just as you need Greek to understand medical terms, and Latin for legal terms. Don't fight it: learn it. It's the way the world works.

✓ absentee - owner of land who lives somewhere else

abstraction - the essence of an idea or principle, lifted from the particular circumstances of specific examples. *E.g. "farm" is an abstraction...*

✓ ✓ accumulation (of capital - differs from concentration) -
acquiring more than one consumes, converting the excess into useful tools of production

ahistorical - too abstract or a priori, overlooking actual behavior, and evolution of human life over time

Black Death - a plague in Europe that hit England in 1349, killing some 1/3 of the population

Boer War - war between England and the Boers, 1899-1902, for control of S. Africa. Cecil Rhodes, an English imperialist-capitalist-colonizer, benefited greatly, and influenced J.R. Hobson.

Boer - a European settler in S. Africa, mostly of Dutch and Huguenot origin

✓ bourgeoisie - middle-class urban businessmen and homeowners, viewed as a conservative force; used by Marx derisively. *(small business are a kind of rural bourgeoisie)*

bullionist - believer that a prime goal of national policy is to import and store up gold

Calvinism - variety of Protestantism with belief in predestination, an elite (the "elect"), teleology, and Divine Purpose. May have influenced Marxist Laws of Motion, and Wallace's ideas of teleological evolution. Associated with the commercial revolution of 17th Century Europe and New England, but the Boers of South Africa were Calvinists, racists, farmers and bureaucrats.

✓ capital - everything of value produced by humans but not yet used up. The word is also used in many variations on that basic theme, by various writers.

✓ capital formation - same as accumulation of capital, q.v.

✓ catalytic - expediting or enabling a chemical reaction without being depleted by it, or incorporated in the product. Is in contrast to "reactant." In economics, describes the role of land in production.

✓ classical economics - political economy developed by Quesnay, Smith, Ricardo, Mill, Marx (in part), and George. They distinguished three basic "factors of production": land, labor and capital, hence "3-factor economics."

complacency - passive contentment with the status quo

✓ concentration (of wealth - differs from accumulation) - amassing of a high fraction of all wealth by a low fraction of the population

Corn Laws - tariff duties on import of "corn" (wheat) into England, 1815-46. Served Ricardo as case study to illustrate the law of rent.

✓ dead labor (frozen labor, stored up labor) - Marxist term for capital. *overlooks frozen land rent, & frozen interest*

determinism (destiny, fate, Kismet, scenario, etc.) - idea that mankind is swept along by massive materialistic forces that we can little influence by taking thought. "Economic determinism" suggests that our social ideas are reactions to our self-interest, as affected by our position as rent-takers or rent-payers.

dialectical - evolving through constant struggle and clash of opposites, followed by their synthesis into a new social form. Class war is the leading example.

dialectical materialism - a philosophy of historical evolution. "Materialism" means that the social forms that struggle are informed by ideas that spring from current modes of production and exchange, little influenced by philosophizing about human rights, legal rights, etc.

dilemma - a hard choice

✓ dilemma-bound - frozen by indecision because all the choices are bad

✓ diminishing marginal utility of goods - the more you have, the less you enjoy each added good

✓ diminishing returns to labor - the fall in output per worker as more are crowded onto the same land, and some move to worse land previously unused at the lean edges of settlement

✓ diminishing marginal returns to labor - the fall in output per additional worker as more are crowded onto the same land, and some move to worse land previously unused at the lean edges of settlement

✓ Diminishing returns to capital - same idea as for labor, but returns to capital are usually expressed as a fraction of the principal, called the Rate of Return (ROR)

dismal science - epithet for political economy as taught by Malthus, who prescribed harsh measures like death, war, and celibacy for lowering the population

✓ distribution (of wealth) - what fraction of the people, ranked by wealth, own what fraction of the wealth. (Ditto for distribution of income, or anything.) Not to be confused with delivering goods by UPS, or power by a network of lines.

✓ Edwardian - era from 1901-11 in England. Following reign of George V was not called "Georgian," possibly to avoid confusion with Henry George, whose popularity and influence in England peaked from 1911-14 (to be eclipsed by World War I), and with David Lloyd-George, who was Prime Minister. It was a time of George, Lloyd-George, and King George.

endogenous - a cause of trouble from inside the system, generated by the system itself, like Marx's "contradictions of capitalism," or George's "land speculation," or Hobson's imperialism, or Keynes' "vicious downward spirals." These allegations are real challenges to defenders of the system, and evoke powerful opposition, rightly or wrongly.

✓ entitlement - a legal claim to property or income (e.g. inherited wealth, or a guaranteed minimum welfare payment viewed as a right). Cf. *noblesse oblige*. Entitlements are part of the "social structure" of a society.

entrepreneur - capitalist who "rolls the dice" by investing in

✓ materials, payrolls, and rents, and recoups by selling goods and services. Such "income-creating" investing is the autonomous motor that drives production and the GDP.

equilibrium - a hypothetical stable condition of markets and factor proportions after all forces for change in price or quantity or cost of production have worked themselves out. Associated with Clark, Marshall, and static neo-classical economics.

✓ equity

a. Fairness, justice.

b. Net worth of an enterprise after deducting debts

✓ eugenics - breeding human beings selectively, to improve the quality of the species (attempted by Hitler, who discredited it)

✓ excess burden - loss of economic welfare to taxpayers in excess of taxes collected by treasury. The excess loss results from avoidance maneuvering by taxpayers. Incentives are both twisted and lessened. Both Quesnay and Henry George claimed that their policies (independently arrived at) had the virtue of eliminating excess burdens (although neither used that wording).

feedback (+ & -)

Negative feedback is a tempering process, exemplified by a thermostat working, whereby deviations from equilibrium evoke forces leading back to equilibrium. In economics, the balancing of supply and demand by price is an example of negative feedback.

Positive feedback is a destabilizing or herdlike process whereby a change feeds on itself, as when Jones' purchase of an auto moves Smith and Wong to buy autos, too. Often called a "spiral."

Felicitific Calculus (math. psychics) - Edgeworth's term for how a calculating "economic man" (allegedly) figures precisely how to maximize net pleasures in life by use of complex mathematics

✓ fiscal stimulus (cf. usage by George and Keynes)

a. Government spending, especially when in excess of tax revenues (Keynes)

b. Incentive taxation - tax based on market value of land, regardless of use by present owner, stimulating production and employment (George)

✓ fungible - indistinguishable from and miscible with other units of like kind, like cash in the bank or molecules of water in a pail. Capital is fungible each time it turns over; land is never fungible: each parcel is uniquely identified.

✓ growth, linear - growth by a fixed periodic amount; geometrically, a rising straight line

✓ growth, exponential - growth at a fixed periodic percentage rate; geometrically, a rising curve curling upwards

guild - an association of skilled craftsmen or merchants, common before the industrial revolution

✓ humanism - optimistic belief in essential goodness of human nature, expressed esp. by Wm. Godwin, against whom Malthus reacted, and the Physiocrat Mirabeau. Believers in original sin regard humanism as subversive and dangerous. *~ "prudent" too*

✓ ✓ increasing costs (another way of expressing diminishing returns)

inflation - a rise of prices

✓ ✓ intensify - to apply more labor and capital per unit of land

invisible hand - Smith's expression for market forces that drive people seeking their own self-interest to serve the general good

✓ labor-saving technology - *+ services* technology that modifies processes of production, and products themselves, to use less labor per unit of land and capital. *Gold vs. prod.*

✓ labor-using technology - opposite of labor-saving technology. Labor-using technology intensifies land use.

laissez-faire - Quesnay's slogan, adopted by Smith, to let the market work without government regulations and nudging.

✓ land - space on the earth. In economics, comprehends ALL natural resources (resources not produced by man).

✓ ✓ land-saving technology - technology that modifies processes of production, and products themselves, to use less land per unit of labor and capital. Results in higher yields (output per unit of land). This was J.S. Mill's optimistic answer to Malthus' pessimism. Note that using less land per unit of labor often entails modifying capital, too - as by putting offices in skyscrapers.

✓ ✓ land-using technology - opposite of land-saving tech. This is the Great American Fault, as seen from Europe and Asia.

laudanum - cheap form of opium commonly used in Britain, 19th Century (a word used incidentally by Heilbroner)

Laws of Motion (of historical evolution) - long-range forecasts in political economy (orig. Marxist, but useful in understanding and appreciating implications of all economic philosophies)

Les Misérables - The Poor, a novel by Hugo, now a pop. musical, dramatizing class struggle in 1848, the age that spawned Marx

Luddism - demeaning term for opposition to labor-saving machinery

Malthusian - relating to Malthus' doctrines that poverty results from overbreeding and is inevitable

margin of production - the lean edge of land use of whatever kind; no-rent land. By extension, it also refers to the condition of good land when already crowded with plenty of workers, and another worker is added. The last is called the "intensive margin of production." It is not a specific place, but a condition.

margin of cultivation - the lean edge of ^{farm} agricultural settlement, orig. referring to cultivation of "corn" (wheat) in England. ^{loosely} ^{there are also grazing, forestry, hanks etc. too} ^{Actually}

marginal land - land of low quality and/or remote location, at the lean edges of settlement and use; land just barely worth using at all. Is also called "no-rent" land. (There are also margins between different uses of land, e.g. the margin between commercial and residential land in cities.)

mercantilism - domination of colonies by a "metropolitan" or mother country that reserves them as sources of raw materials

model (abstract) - an expression of abstract thought, purporting to represent the essential features of some process or phenomenon, divorced from distracting incidental particulars. Models are often expressed in algebraic, graphical, or numerical form; algebraic models may be computerized, and elaborated beyond comprehension. ~~We have looked at models of labor productivity, rent, costs per unit of output, and supply and demand.~~

MROR - Marginal Rate of Return on capital, expressed as an annual percentage. It is what one gets over and above the return of the original capital. It refers to the last unit of capital applied to a fixed base of land, and is lower than the average ROR (AROR). The excess of the AROR over the MROR goes as rent to the landowner (who may or may not be the same person as the owner of

capital).

mutual gain - benefits to both parties to an exchange

✓ natalism, pro-natalism - belief that a nation gains from high birthrates

✓ neo-classical economics (cf. to classical political economy) - set of economic models based on fusing land with capital, turning 3-factor political economy into 2-factor economics. NCE stresses demand-side explanations of value, downplaying cost of production. Americans like J.B. Clark and Frank Knight and Frank Fetter and George Stigler were neo-classical ~~extremists~~; *fanatics; hurried* Englishmen Alfred Marshall and Stanley Jevons were more ~~compromising~~, as were most Continentals.

✓ neutral tax - tax that may be levied without changing the allocation of resources among competing uses. AKA a tax without "excess burden." Technically, a tax may be called neutral if it does not directly change relative prices among goods and among factors, even though it changes the distribution of wealth, and the level of public services, and the ~~bargaining~~ *pulling* power of different groups.

noblesse oblige - an attitude of the wealthy leading them voluntarily to help the poor and needy, without legal obligation, i.e. without acknowledging in the poor any enforceable entitlement to the aid. It is considered enlightened self-interest, to forestall revolution or organization by the poor.

✓ oversaving - idea that people may depress production by failing to spend their entire incomes on consuming. Many forecasting models today contain the embedded assumption that consumer demand is what "drives the economy"; business journalism is dominated by such "demand-side" thinking.

✓ paradigm - a web of interpretation through which art seeks to make human experience intelligible; a mindset; a way of thinking *+ perspective*

✓ paradox - an ~~inexplicable~~ *puzzling* result from a cause that should produce a different result (e.g. the paradox of poverty amid plenty)

Physiocrats - pioneering school of French economists led by Quesnay, ca. 1775-89. Developed ideas of *laissez faire*; circulation (turnover) of capital; taxation without excess burden; and complex input/output analysis. Tutored Adam Smith.

pleasure machine - Edgeworth's concept of humans in their

capacity as economic beings

presentiment - a gloomy forecast

✓✓ progression (geometric and arithmetic) - see growth, exponential and arithmetic

✓ progressive tax - narrowly, a tax whose rate rises as its base rises; by extension, a tax whose weight rises as the taxpayer's income rises, even though the base is not income (wealth taxes have this quality).

rationalism - faith in the power of reason

✓ rationalization - ^{making up reasons} an abuse of rationalism

✓ redistribution - use of taxation to shift wealth or income from one group to another, without changing legal entitlements that determine the base distribution

✓✓ rent - ^{net} income from owning land, ^{after} ~~net~~ of associated costs. May be received from a tenant, or directly by use of one's own land, in which case it is the net product of land. May be in cash or in kind or in direct satisfactions (service flow) from owning land, e.g. residential land. May be summed up as cash flow plus service flow less "user cost" of capital, q.v.

✓ rentier - person receiving income orig. from rents, now from rents plus other kinds of property income

reserve army of unemployed - Marxist term for people seeking work and weakening bargaining power of all labor, as by "scabbing."

✓✓ resolution (reconciliation, composition) - solving an apparent dilemma or trade-off without sacrificing either desired value (e.g. achieving full employment without inflation)

✓✓ ROR - Rate of Return on capital, expressed as an annual percentage. It is what one gets over and above the return of the original capital.

scale, economies of - lowering unit costs by enlarging a firm, or a collection of people (as in a city). We modeled this by analyzing the average cost curve to the left of its minimum point.

✓ service flow - gross value to owner of services or satisfactions received from owning a durable asset, less associated expenses (but gross of user cost of capital, q.v.).

status - position in a caste society

surplus value - Marx's term for excess of output over labor cost.
(Other economists attribute it to contributions of land and capital to output.)

✓ synergy - interaction among elements in a process (e.g. an urban market) such that the whole exceeds the sum of its parts, resulting in a social surplus

system, self-regulating - a system controlled by its own internal negative feedback mechanisms, requiring no conscious or "manual" regulation

✓ teleology - idea that Nature is shaped by a Purpose, some grand eternal plan, e.g. The Divine Purpose

✓ tenure (of land) - right or privilege of exclusive use of specific lands, usually subject to payments ~~or~~ other conditions

✓ thermostat - familiar example of a negative feedback mechanism

✓ ✓ trade-off - sacrificing one good thing to get another; inferior to a "resolution" that gets you both without sacrificing either

Transvaal - northeastern quarter of S. Africa where Boers resettled after losing Boer War, 1899-1902, and where they found diamonds and gold

underconsumptionism - counterpart of oversaving, q.v.

✓ urban sprawl (checkerboarding, hop-skip-jump, etc.) - scattered settlement pattern with empty spaces among the parts, inflating linkage costs

✓ ✓ - *urban cost*

utopian - impractically idealistic and humanistic

✓ ✓ vertical integration - control by a firm or nation of its own raw materials and other stages of production and distribution, from primary products to final consumers. ~~Leads to imperialism.~~ *assoc. w.*

✓ yield - orig. gross crop output per acre. By extension, gross monetary revenue per acre from any land use.