

From the [Glossary](#) of [The Economy](#) by the CORE team

COREtalk to confront COVID-19

external effect

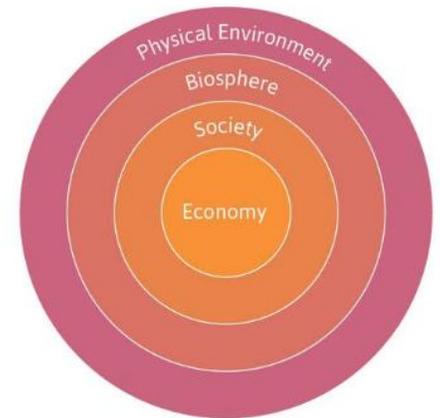
A positive or negative effect of a production, consumption, or other economic decision on another person or people that is not specified as a benefit or liability in a contract. It is called an external effect because the effect in question is outside the contract. *Also known as: externality. See also: [incomplete contract](#), [market failure](#), [external benefit](#), [external cost](#).*

gains from exchange

The benefits that each party gains from a transaction compared to how they would have fared without the exchange. *Also known as: gains from trade. See also: [economic rent](#).*

economics

The study of how people interact with each other and with their natural surroundings in providing their livelihoods, and how this changes over time.



prudential policy

A policy that places a very high value on reducing the likelihood of a disastrous outcome, even if this is costly in terms of other objectives foregone. Such an approach is often advocated where there is great uncertainty about the conditions under which a disastrous outcome would occur.

biologically feasible

An allocation that is capable of sustaining the survival of those involved is biologically feasible.

tipping point (environmental)

A state of the environment beyond which some process (typically a degradation) becomes self-reinforcing, because of positive feedback processes. On one side, processes of environmental degradation are self-limiting. On the other side, positive feedbacks lead to self-reinforcing, runaway environmental degradation. *See also: [positive feedback \(process\)](#).*

tipping point

An unstable equilibrium at the boundary between two regions characterized by distinct movements in some variable. If the variable takes a value on one side, the variable moves in one direction; on the other, it moves in the other direction. *See also: [asset price bubble](#).*

positive feedback (process)

A process whereby some initial change sets in motion a process that magnifies the initial change. *See also: [negative feedback \(process\)](#).*

demand shock

An unexpected change in aggregate demand, such as a rise or fall in autonomous consumption, investment, or exports. See also: [supply shock](#).

supply shock

An unexpected change on the supply side of the economy, such as a rise or fall in oil prices or an improvement in technology. See also: [wage-setting curve](#), [price-setting curve](#), [Phillips curve](#).

social interactions

Situations in which the actions taken by each person affect other people's outcomes as well as their own.

social norm

An understanding that is common to most members of a society about what people should do in a given situation when their actions affect others.

social preferences

Preferences that place a value on what happens to other people, even if it results in lower payoffs for the individual.

cooperation

Participating in a common project that is intended to produce mutual benefits.

network external effects

An external effect of one person's action on another, occurring because the two are connected in a network. See also: [external effect](#).

power

The ability to do (and get) the things one wants in opposition to the intentions of others, ordinarily by imposing or threatening sanctions.

public bad

The negative equivalent of a public good. It is non-rival in the sense that a given individual's consumption of the public bad does not diminish others' consumption of it.

public good

A good for which use by one person does not reduce its availability to others. Also known as: [non-rival good](#). See also: [non-excludable public good](#), [artificially scarce good](#).

disequilibrium process

An economic variable may change either because the things that determine the equilibrium value of that variable have changed (an equilibrium process), or because the system is not in equilibrium so that there exist forces for change that are internal to the model in question (a disequilibrium process).

globalization

A process by which the economies of the world become increasingly integrated by the freer flow across national boundaries of goods, investment, finance, and to a lesser extent, labour. The term is sometimes applied more broadly to include ideas, culture, and even the spread of epidemic diseases.