**Module 1: Terminology**

* **Economics** provides a toolkit that allows us to anticipate or predict how a change in one factor will influence something else. Science that analyzes how people and societies make decisions that allow them to get the most out of their limited resources. Is the science that analyzes how people and societies make decisions that allow them to get the most out of their limited resources.
* **Economist** are social scientists who studies specific kinds of relationships
* **Econometrics** is the use of mathematical and statistical techniques to test theories; evaluate the appropriate of specific assumptions, etc.
* WHO defines **health** as a state of complete physical, mental, and social well-being and not merely the absence of disease and infirmity.
* In the US, the concepts of health and health care have largely been governed by the **medical model** which presupposes the existence of illness or disease
* **Microeconomics**: focuses on individual people and individual businesses.
* **Macroeconomics**: looks at the economy as an organic whole, concentrating on factors such as interest rates, inflation, and unemployment
* **Consumption function** = Relationship between income and spending (consumption) is known as the consumption function.
* **Permanent income hypothesis** = The amount consumed is determined by expected average earnings over the long-term rather than current earnings today.
* **Shared income** = The average income of a group of people who share determines their consumption, rather than the earnings of each person individually
* **Relative income hypothesis** proposes than an individual’s purchasing and savings are determined by income relative to the income of others in the community.
* **Relative position (or rank) hypothesis** maintains that, in addition to individual income, a person’s position within the community also determines his health status
* **Health economics** is the study of how resources are allocated to and within the health economy
* **Social determinants of health** are conditions in the environments in which people are born, live, learn, work, play, worship, and age that affect a wide range of health, functioning, and quality-of-life outcomes and risks
* **Inflation** is an increase in the price of a basket of goods and services that is representative of the economy as a whole
* **Opportunity cost** = the loss of potential gain from other alternatives when one alternative is chosen
* **Fundamental theorem of exchange** = Voluntary exchange benefits everyone even though one party may be better off than another
* **Trade** = buying and selling goods and services
* **Market** (simple vs. complex) = place to buy and sell goods and services
* **Resources =** are the goods or services available to individuals and businesses used to produce valuable consumer products
* **Choices =** Making a decision when you have more than one option. In economics, you would base the decision on which will give you the most benefit without going over your cost **(maximization)**
* **GDP** = measures the value of all final goods and services produced in an economy in a given period of time, usually a quarter or a year.
* **Scarcity** = having seemingly unlimited human wants in a world of limited resources. Because of scarcity, decisions need to be made how to allocate sources
* **Invisible hand** = The unobservable market force that helps the demand and supply of goods in a free market to reach equilibrium automatically
* **Utility** = measure of happiness or satisfaction
* **Margin =** Unit of consumption
* **Marginal utility**= is defined as that extra utility achieved by consuming on one more unit of a good.
* **Diminishing marginal utility**= each additional unit that is consumed brings less utility than the previous unit so that the extra utility brought by each successive unit diminishes as you consume more and more units
* **Production possibilities frontier** = shows how limited resources limit your ability to produce a product
* **Asymmetric knowledge** = when one person knows far more than the other person
* **Health disparities** refer to differences in the health status of different groups of people. Some groups of people have higher rates of certain diseases, and more deaths and suffering from them, compared to others.
* **Rational choice theory** = People make choices that make themselves better off. Doesn’t mean they make the best choices, but they choose things that make themselves better off than worse