The macroeconomy

A-Level Economics · Vocabulary in context

Word	Example
Macroeconomics /ˌmækrəˌriːkəˈnɒmɪks/	**Macroeconomics** studies the whole economy, such as inflation and unemployment.
national income /ˈnæʃənl ˈɪŋkʌm/	**National income** is the total income earned in a country in one year.
Gross domestic product /grəʊs dəˈmestɪk ˈprɒdʌkt/	**Gross domestic product** is the total value of everything a country produces in a year.
value added /ˈvæljuː ˈædɪd/	The **value added** by a baker is the price of the bread minus the cost of the flour.
Gross national income /grəʊs ˈnæʃənl ˈɪŋkʌm/	**Gross national income** is GDP plus income that a country earns from abroad. GDP
capital depreciation /ˈkæpɪtl dɪˌpriːʃiˈeɪʃn/	**Capital depreciation** is the loss in value as machines wear out.
Net national income /net ˈnæʃənl ˈɪŋkʌm/	**Net national income** is national income after the cost of worn-out machines is taken away.
market prices /ˈmɑːkɪt ˈpraɪsɪz/	GDP at **market prices** includes the taxes that buyers pay. GDP
basic prices /ˈbeɪsɪk ˈpraɪsɪz/	GDP at **basic prices** leaves out taxes on products and adds subsidies. GDP
nominal /ˈnɒmɪnl/	**Nominal** GDP uses today's prices. GDP
real /rɪəl/	**Real** GDP removes the effect of rising prices. GDP

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per capita /pɜː ˈkæpɪtə/	GDP **per capita** is GDP divided by the number of people. GDP GDP
standard of living /ˈstændəd ɒv ˈlɪvɪŋ/	A better **standard of living** means people have more food, health and comfort. ` `
distribution /ˌdɪstrɪˈbjuːʃn/	The **distribution** of income shows how money is shared between people.
informal economy /ɪnˈfɔːml ɪˈkɒnəmi/	Cash jobs that are not recorded are part of the **informal economy**.
circular flow of income /ˈsɜːkjʊlə fləʊ ɒv ˈɪŋkʌm/	The **circular flow of income** shows money moving between households and firms.
households /ˈhaʊshəʊldz/	**Households** supply labour and receive wages.
firms /fɜːmz/	Many **firms** sell phones.
leakages /ˈliːkɪdʒɪz/	Saving, taxes and imports are **leakages** from the flow of income. `
saving /ˈseɪvɪŋ/	**Saving** means keeping some of your income instead of spending it.
taxation /tækˈseɪʃn/	**Taxation** is how the government takes money from people and firms.
imports /ɪmˈpɔːts/	Phones made in Korea and sold in France are French **imports**.
injections /ɪnˈdʒekʃnz/	Investment, government spending and exports are **injections** into the flow of income. `
investment /ɪnˈvestmənt/	Buying new machines for a factory is **investment**.

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government spending /ˈgʌvənmənt ˈspendɪŋ/	**Government spending** pays for schools, hospitals and the army.
exports /ˈekspɔːts/	Chinese cars sold abroad are Chinese **exports**.
closed economy /kləʊzd ɪˈkɒnəmi/	A **closed economy** does not trade with other countries.
open economy /ˈəʊpən ɪˈkɒnəmi/	An **open economy** buys from and sells to other countries.
equilibrium /ˌiːkwɪˈlɪbrɪəm/	At **equilibrium**, the amount people want to buy equals the amount for sale.
aggregate demand /ˈægrɪgeɪt dɪˈmænd/	**Aggregate demand** is the total spending in the economy.
consumption /kənˈsʌmpʃn/	**Consumption** is what households spend on goods and services.
net exports /net ˈekspɔːts/	**Net exports** are the value of exports minus the value of imports.
aggregate supply /ˈægrɪgeɪt səˈplaɪ/	**Aggregate supply** is the total output that firms will produce.
Short-run aggregate supply /ʃɔːt rʌn ˈægrɪgeɪt səˈplaɪ/	A rise in oil prices moves **short-run aggregate supply** to the left.
productivity /ˌprɒdəkˈtɪvɪti/	Better machines raise **productivity**: more output per hour.
Macroeconomic equilibrium /ˌmækrəˌriːkəˈnɒmɪk ˌiːkwɪˈlɪbrɪəm/	**Macroeconomic equilibrium** is where total demand equals total supply.

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Word	Example
price level /praɪs 'levl/	The **price level** is the average of all prices in the economy.
real output /rɪəl 'aʊtpʊt/	**Real output** is output measured after removing the effect of rising prices.
Long-run aggregate supply /lɒŋ rʌn 'ægrɪgeɪt sə'plaɪ/	Better education moves **long-run aggregate supply** to the right.
productive capacity /prə'dʌktɪv kə'pæsɪti/	More workers and machines increase a country's **productive capacity**.
economic growth /ˌiːkə'nɒmɪk grəʊθ/	**Economic growth** means the economy makes more each year.
Actual growth /'æktʃuːəl grəʊθ/	**Actual growth** is a real rise in GDP from one year to the next. GDP
potential growth /pə'tenʃl grəʊθ/	**Potential growth** is a rise in what the economy could produce.
production possibility curve /prə'dʌkʃn ˌpɒsə'bɪlɪti kɜːv/	The **production possibility curve** shows what a country can make with its resources.
business cycle /'bɪznəs 'saɪkl/	A **business cycle** includes expansions and contractions in economic activity.
boom /buːm/	A **boom** is a period of strong economic activity.
recession /rɪ'seʃn/	A **recession** is a long fall in economic activity.
slump /slʌmp/	In a **slump**, output falls and many people lose their jobs.
recovery /rɪ'kʌvəri/	A **recovery** brings rising activity after a downturn.

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Word	Example
unemployment /ʌnem'plɔɪmənt/	**Unemployment** counts people who want a job but do not have one.
labour force /'leɪbə fɔːs/	The **labour force** is everyone who has a job or is looking for one.
claimant count /'kleɪmənt kaʊnt/	The **claimant count** is the number of people who get money because they are out of work.
labour force survey /'leɪbə fɔːs 'sɜːveɪ/	The **labour force survey** asks people directly whether they have a job.
frictional unemployment /'frɪkʃənl ʌnem'plɔɪmənt/	**Frictional unemployment** happens while people move from one job to the next.
structural unemployment /'strʌktʃərəl ʌnem'plɔɪmənt/	When coal mines close, miners face **structural unemployment** because their skills are no longer needed.
cyclical unemployment /'saɪklɪkl ʌnem'plɔɪmənt/	**Cyclical unemployment** rises when the whole economy slows down.
seasonal unemployment /'siːzənl ʌnem'plɔɪmənt/	Ski teachers face **seasonal unemployment** every summer.
technological unemployment /ˌteknə'lɒdʒɪkl ʌnem'plɔɪmənt/	When robots replace factory workers, this causes **technological unemployment**.
inflation /ɪn'fleɪʃn/	**Inflation** means prices in general are rising.
purchasing power /'pɜːtʃɪsɪŋ 'paʊə/	When prices rise, the **purchasing power** of your money falls.

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Word	Example
deflation /diːˈfleɪʃn/	During **deflation**, prices in general fall.
disinflation /ˌdɪsɪnˈfleɪʃn/	**Disinflation** means prices are still rising, but more slowly than before.
consumer price index /kənˈsuːmə praɪs ˈɪndeks/	The **consumer price index** measures the price of a basket of household goods.
weight /weɪt/	The **weight** on the edge is the distance.
demand-pull inflation /dɪˈmænd pʊl ɪnˈfleɪʃn/	**Demand-pull inflation** happens when people want to buy more than firms can make.
cost-push inflation /kɒst pʊʃ ɪnˈfleɪʃn/	**Cost-push inflation** happens when firms pass higher costs on as higher prices.

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