Government macroeconomic intervention

A-Level Economics · Vocabulary in context

Word	Example
price stability /praɪs stə'bɪlɪti/	**Price stability** means prices rise only slowly and steadily.
economic growth /ˌiːkə'nɒmɪk grəʊθ/	**Economic growth** means the economy makes more each year.
inflation /ɪn'fleɪʃn/	**Inflation** means prices in general are rising.
full employment /fʊl em'plɔɪmənt/	**Full employment** means nearly everyone who wants a job has one.
demand-side policies /dɪ'mænd saɪd 'pɒlɪsiz/	**Demand-side policies** change total spending in the economy.
aggregate demand /'ægrɪgeɪt dɪ'mænd/	**Aggregate demand** is the total spending in the economy.
aggregate supply /'ægrɪgeɪt sə'plaɪ/	**Aggregate supply** is the total output that firms will produce.
balance of payments /'bæləns ɒv 'peɪmənts/	The **balance of payments** records all money flowing into and out of a country.
redistribution of income /ˌriːˌdɪstrɪ'bjuːʃn ɒv 'ɪŋkʌm/	A **redistribution of income** moves money from richer people to poorer people.
conflict /'kɒnflɪkt/	There can be **conflict** between two aims, such as low inflation and low unemployment.
fiscal policy /'fɪskl 'pɒlɪsi/	Changing taxes and government spending is **fiscal policy**.

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budget /'bʌdʒɪt/	The **budget** sets planned spending for the coming year.
budget deficit /'bʌdʒɪt 'defɪsɪt/	A **budget deficit** means the government spends more than it collects in tax.
budget surplus /'bʌdʒɪt 'sɜːpləs/	A **budget surplus** occurs when government revenue exceeds spending.
national debt /'næʃənl det/	The **national debt** is all the money the government owes.
capital spending /'kæpɪtl 'spendɪŋ/	**Capital spending** pays for long-lasting things such as new roads and schools.
current spending /'kʌrənt 'spendɪŋ/	Teachers' pay is **current spending**.
direct tax /daɪ'rekt tæks/	Income tax is a **direct tax**.
indirect tax /ɪndaɪ'rekt tæks/	VAT is an **indirect tax**. VAT
progressive tax /prə'gresɪv tæks/	Income tax is a **progressive tax**: richer people pay a bigger share.
proportional tax /prə'pɔːʃənl tæks/	A **proportional tax** takes the same share of everyone's income.
regressive tax /rɪ'gresɪv tæks/	A **regressive tax** takes a bigger share from poorer people.
average tax rate /'ævrɪdʒ tæks reɪt/	The **average tax rate** is total tax divided by income.

Word	Example
marginal tax rate /ˈmɑːdʒɪnl tæks reɪt/	The **marginal tax rate** applies to the next unit of income.
expansionary /ekˈspænʃənəri/	An **expansionary** policy aims to raise aggregate demand.
contractionary /kənˈtrækʃənəri/	A **contractionary** policy aims to reduce aggregate demand.
automatic stabilisers	Unemployment benefits act as **automatic stabilisers** in a recession.
crowding out /ˈkraʊdɪŋ aʊt/	**Crowding out** happens when government borrowing leaves less money for firms.
monetary policy /ˈmʌnɪtəri ˈpɒlɪsi/	The central bank uses **monetary policy** when it changes interest rates.
central bank /ˈsentrəl bæŋk/	The **central bank** sets interest rates.
interest rate /ˈɪntrest reɪt/	When the **interest rate** rises, borrowing money costs more.
money supply /ˈmʌni səˈplaɪ/	The **money supply** is the total amount of money in the economy.
credit regulation /ˈkredɪt ˌregjʊˈleɪʃn/	**Credit regulation** limits how much banks can lend.
transmission mechanism /trænˈsmɪʃn ˈmekənɪzəm/	The **transmission mechanism** shows how a change in interest rates spreads through the economy.
exchange rate /eksˈtʃeɪndʒ reɪt/	The **exchange rate** is the price of one currency in another.

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quantitative easing /ˈkwɒntɪteɪtɪv ˈiːzɪŋ/	In **quantitative easing**, the central bank creates money to buy bonds.
supply-side policy /səˈplaɪ saɪd ˈpɒlɪsi/	Training workers is a **supply-side policy**.
productivity /ˌprɒdəkˈtɪvɪti/	Better machines raise **productivity**: more output per hour.
productive capacity /prəˈdʌktɪv kəˈpæsɪti/	More workers and machines increase a country's **productive capacity**.
training /ˈtreɪnɪŋ/	**Training** teaches employees useful work skills.
infrastructure /ˈɪnfrəstrʌktʃə/	New roads and railways improve a country's **infrastructure**.
incentive /ɪnˈsentɪv/	Profit is an **incentive** for firms to make what people want.
privatisation /ˌpraɪvətaɪˈzeɪʃn/	**Privatisation** sells a state-owned firm to private owners.
deregulation /diːˌregjʊˈleɪʃn/	**Deregulation** removes rules that stop new firms from entering.