# Government microeconomic intervention (A Level)

A-Level Economics · Vocabulary in context

| Word | Example |
|---|---|
| **market failure** /ˈmɑːkɪt ˈfeɪlɪə/ | Pollution with no price is a **market failure**. |
| **indirect tax** /ɪndaɪˈrekt tæks/ | VAT is an **indirect tax**.<br>VAT |
| **ad valorem tax** /æd ˈvælɒrəm tæks/ | An **ad valorem tax** is a percentage of the price, such as a 10% sales tax.<br>10% |
| **subsidy** /ˈsʌbsɪdi/ | A **subsidy** is money from the government that lowers a firm's costs. |
| **price control** /praɪs kənˈtrəʊl/ | A **price control** is a rule from the government about how high or low a price can be. |
| **regulation** /ˌregjʊˈleɪʃn/ | New **regulation** says that factories must clean their waste water. |
| **production quota** /prəˈdʌkʃn ˈkwəʊtə/ | A **production quota** limits how much each farmer may produce. |
| **prohibition** /prəhɪˈbɪʃn/ | **Prohibition** means a good is banned completely. |
| **licence** /ˈlaɪsəns/ | You need a **licence** to sell alcohol in a shop. |
| **Tradable permits** /ˈtreɪdəbl ˈpɜːmɪts/ | Firms can buy and sell **tradable permits** that allow them to pollute a set amount. |
| **property rights** /ˈprɒpəti raɪts/ | Clear **property rights** show who owns the land. |
| **State provision** /steɪt prəˈvɪʒn/ | Free schools are an example of **state provision**. |



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| Word | Example |
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| **nudge** /nʌdʒ/ | A **nudge** is a small push, like putting fruit at the front of the canteen. |
| **Nationalisation** /ˌnæʃənəlaɪˈzeɪʃn/ | **Nationalisation** moves a private firm into government ownership. |
| **privatisation** /ˌpraɪvətaɪˈzeɪʃn/ | **Privatisation** sells a state-owned firm to private owners. |
| **Competition policy** /ˌkɒmpəˈtɪʃn ˈpɒlɪsi/ | **Competition policy** stops big firms from working together to keep prices high. |
| **monopoly power** /məˈnɒpəli ˈpaʊə/ | The government watches firms with **monopoly power** closely. |
| **government failure** /ˈgʌvənmənt ˈfeɪlɪə/ | **Government failure** happens when a policy makes things worse. |
| **Deregulation** /diːˌregjʊˈleɪʃn/ | **Deregulation** removes rules so that new firms can enter a market. |
| **equity** /ˈekwɪti/ | Who pays the new tax is a question of **equity**. |
| **equality** /iːˈkwɒlɪti/ | **Equality** means everyone has the same income or the same chances. |
| **inequality** /ɪniːˈkwɒlɪti/ | There is great **inequality** when a few people are rich and many are poor. |
| **income** /ˈɪŋkʌm/ | Wages are **income** received over time. |
| **wealth** /welθ/ | A household's **wealth** is its assets minus debts. |
| **Lorenz curve** /ˈlɒrənts kɜːv/ | A **Lorenz curve** shows how equally income is shared. |



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| **Gini coefficient** /ˈdʒiːni ˌkəʊɪˈfɪʃənt/ | A higher **Gini coefficient** means more inequality. |
| **Absolute poverty** /ˈæbsəluːt ˈpɒvəti/ | People in **absolute poverty** cannot afford food, clean water or shelter. |
| **Relative poverty** /ˈrelətɪv ˈpɒvəti/ | People in **relative poverty** have much less than most people in their country. |
| **poverty trap** /ˈpɒvəti træp/ | In a **poverty trap**, poor people cannot save, so they stay poor. |
| **progressive tax** /prəˈgresɪv tæks/ | Income tax is a **progressive tax**: richer people pay a bigger share. |
| **benefits** /ˈbenɪfits/ | The family gets **benefits** from the government because the father lost his job. |
| **transfer payments** /ˈtrænsfɜː ˈpeɪmənts/ | Pensions are **transfer payments**. |
| **redistribution** /ˌriːˌdɪstrɪˈbjuːʃn/ | Taxes on the rich that pay for help for the poor are a form of **redistribution**. |
| **negative income tax** /ˈnegətɪv ˈɪŋkʌm tæks/ | With a **negative income tax**, people who earn very little are paid money instead of paying tax. |
| **Universal benefits** /ˌjuːnɪˈvɜːsl ˈbenɪfits/ | **Universal benefits** are paid to everyone, whatever their income. |
| **Means-tested benefits** /miːnz ˈtestɪd ˈbenɪfits/ | **Means-tested benefits** are paid only to people with low incomes. |
| **universal basic income** /ˌjuːnɪˈvɜːsl ˈbeɪsɪk ˈɪŋkʌm/ | A **universal basic income** gives every adult the same amount of money each month. |



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| **labour market** /ˈleɪbə ˈmɑːkɪt/ | In the **labour market**, workers sell their time and firms buy it. |
| **wage** /weɪdʒ/ | Her **wage** is the money she gets for each hour of work. |
| **demand for labour** /dɪˈmænd fɔː ˈleɪbə/ | The **demand for labour** is how many workers firms want to hire. |
| **derived demand** /dɪˈraɪvd dɪˈmænd/ | The demand for hotel cleaners is a **derived demand** from the demand for hotel rooms. |
| **marginal revenue product** /ˈmɑːdʒɪnl ˈrevənjuː ˈprɒdʌkt/ | **Marginal revenue product** is the extra income from hiring one more worker. |
| **supply of labour** /səˈplaɪ ɒv ˈleɪbə/ | The **supply of labour** is how many people want to work at each wage. |
| **monopsony** /məˈnɒpsəni/ | A **monopsony** is a market with only one buyer. |
| **national minimum wage** /ˈnæʃənl ˈmɪnɪməm weɪdʒ/ | The **national minimum wage** is the lowest hourly pay allowed by law. |
| **trade union** /treɪd ˈjuːnɪən/ | A **trade union** speaks for workers when they ask for higher pay. |
| **wage differential** /weɪdʒ ˌdɪfəˈrenʃl/ | The **wage differential** between doctors and cleaners is large. |
| **discrimination** /dɪˌskrɪmɪˈneɪʃn/ | Paying women less for the same work is **discrimination**. |
| **transfer earnings** /ˈtrænsfɜː ˈɜːnɪŋz/ | **Transfer earnings** are the least a worker needs to stay in a job. |



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| **economic rent** /ˌiːkəˈnɒmɪk rent/ | **Economic rent** is what a worker earns above the least they would accept. |



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