The macroeconomy (A Level)

A-Level Economics · Vocabulary in context

Word	Example
circular flow of income /ˈsɜːkjʊlə fləʊ ɒv ˈɪŋkʌm/	The **circular flow of income** shows money moving between households and firms.
injections /ɪnˈdʒekʃnz/	Investment, government spending and exports are **injections** into the flow of income.
leakages /ˈliːkɪdʒɪz/	Saving, taxes and imports are **leakages** from the flow of income.
multiplier /ˌmʌltɪˈplaɪə/	The **multiplier** means £1 of new spending can create more than £1 of income. £1 £1
marginal propensity to consume /ˈmɑːdʒɪnl prəˈpensɪti tə kənˈsjuːm/	The **marginal propensity to consume** is the share of extra income that people spend.
marginal propensity to save /ˈmɑːdʒɪnl prəˈpensɪti tə seɪv/	The **marginal propensity to save** is the share of extra income that people save.
marginal propensity to tax	The **marginal propensity to tax** is the share of extra income paid in tax.
marginal propensity to import /ˈmɑːdʒɪnl prəˈpensɪti tʊ ɪmˈpɔːt/	The **marginal propensity to import** is the share of extra income spent on imports.
marginal propensity to withdraw /ˈmɑːdʒɪnl prəˈpensɪti tə wɪθˈdrɔː/	The **marginal propensity to withdraw** is the share of extra income saved, taxed or spent on imports.
accelerator /əkˈseləreɪtə/	The **accelerator** says investment rises when demand grows quickly.

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investment /ɪnˈvestmənt/	Buying new machines for a factory is **investment**.
Net investment /net ɪnˈvestmənt/	**Net investment** is new investment after replacing worn-out machines.
replacement investment	**Replacement investment** replaces machines that have worn out.
consumption /kənˈsʌmpʃn/	**Consumption** is what households spend on goods and services.
saving /ˈseɪvɪŋ/	**Saving** means keeping some of your income instead of spending it.
disposable income /dɪˈspəʊzəbl ˈɪŋkʌm/	**Disposable income** is the money you have left after tax.
economic growth /ˌiːkəˈnɒmɪk grəʊθ/	**Economic growth** means the economy makes more each year.
actual growth /ˈæktʃuːəl grəʊθ/	Last year the country had strong **actual growth**: output rose by 6%. 6%
potential growth /pəˈtenʃl grəʊθ/	**Potential growth** is a rise in what the economy could produce.
output gap /ˈaʊtpʊt gæp/	An **output gap** is the difference between what the economy makes and what it could make.
sustainable growth /səˈsteɪnəbl grəʊθ/	**Sustainable growth** can continue without harming people in the future.
sustainability /səˌsteɪnəˈbɪlɪti/	Planting new trees helps **sustainability**.

Word	Example
unemployment /ʌnem'plɔɪmənt/	**Unemployment** counts people who want a job but do not have 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.
natural rate of unemployment /'nætʃərəl reɪt ɒv ʌnem'plɔɪmənt/	The **natural rate of unemployment** is the unemployment left when the economy is healthy.
Phillips curve /'fɪlɪps kɜːv/	The **Phillips curve** shows that low unemployment often comes with high inflation.
money /'mʌni/	We use **money** to buy things and to measure what they are worth.
medium of exchange /'miːdɪəm ɒv eks'tʃeɪndʒ/	Money is a **medium of exchange**: people accept it in return for goods.

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store of value /stɔː ɒv 'vælјuː/	Money is a **store of value**: you can keep it and spend it later.
unit of account /'juːnɪt ɒv ə'kaʊnt/	Money is a **unit of account**: we use it to compare the prices of things.
standard of deferred payment /'stændəd ɒv dɪ'fɜːd 'peɪmənt/	Money is a **standard of deferred payment**: you can borrow now and pay back later.
central bank /'sentrəl bæŋk/	The **central bank** sets interest rates.
lender of last resort /'lendə ɒv læst rɪ'zɔːt/	The central bank is the **lender of last resort**: it lends to banks in a crisis.
commercial banks /kə'mɜːʃl bæŋks/	**Commercial banks** keep people's savings and give loans.
liquidity /lɪ'kwɪdɪti/	Enough **liquidity** means a firm can pay its bills on time.
demand for money /dɪ'mænd fɔː 'mʌni/	The **demand for money** is how much money people want to hold in cash.
liquidity preference /lɪ'kwɪdɪti 'prefrəns/	**Liquidity preference** is people's wish to hold money they can spend at once.
interest rate /'ɪntrest reɪt/	When the **interest rate** rises, borrowing money costs more.
money supply /'mʌni sə'plaɪ/	The **money supply** is the total amount of money in the economy.
moral hazard /'mɒrəl 'hæzəd/	**Moral hazard** happens when insured people take more risks.