Government macroeconomic intervention (A Level)

A-Level Economics · Vocabulary in context

Word	Example
macroeconomic objectives /ˌmækrəˌriːkəˈnɒmɪk ɒbˈdʒektɪvz/	The **macroeconomic objectives** include low inflation, low unemployment and steady growth.
economic growth /ˌiːkəˈnɒmɪk grəʊθ/	**Economic growth** means the economy makes more each year.
price stability /praɪs stəˈbɪlɪti/	**Price stability** means prices rise only slowly and steadily.
inflation /ɪnˈfleɪʃn/	**Inflation** means prices in general are rising.
full employment /fʊl emˈplɔɪmənt/	**Full employment** means nearly everyone who wants a job has one.
balance of payments /ˈbæləns ɒv ˈpeɪmənts/	The **balance of payments** records all money flowing into and out of a country.
fiscal policy /ˈfɪskl ˈpɒlɪsi/	Changing taxes and government spending is **fiscal policy**.
monetary policy /ˈmʌnɪtəri ˈpɒlɪsi/	The central bank uses **monetary policy** when it changes interest rates.
interest rate /ˈɪntrest reɪt/	When the **interest rate** rises, borrowing money costs more.
supply-side policy /səˈplaɪ saɪd ˈpɒlɪsi/	Training workers is a **supply-side policy**.

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aggregate demand /ˈægrɪgeɪt dɪˈmænd/	**Aggregate demand** is the total spending in the economy.
trade-off /treɪd ɒf/	There is a **trade-off**: more guns means less butter.
conflict /ˈkɒnflɪkt/	There can be **conflict** between two aims, such as low inflation and low unemployment.
Phillips curve /ˈfɪlɪps kɜːv/	The **Phillips curve** shows that low unemployment often comes with high inflation.
crowding out /ˈkraʊdɪŋ aʊt/	**Crowding out** happens when government borrowing leaves less money for firms.
Time lags /taɪm lægz/	**Time lags** mean a policy can take months to affect the economy.
national debt /ˈnæʃənl det/	The **national debt** is all the money the government owes.
Laffer curve /ˈlæfə kɜːv/	The **Laffer curve** says very high tax rates can bring in less money.
tax revenue /tæks ˈrevənjuː/	**Tax revenue** is the money the government gets from taxes.
the transmission mechanism	**The transmission mechanism** shows how a change in interest rates spreads through the economy.
liquidity trap	In a **liquidity trap**, interest rates are so low that cutting them more does not help.

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quantitative easing /ˈkwɒntɪteɪtɪv ˈiːzɪŋ/	In **quantitative easing**, the central bank creates money to buy bonds.
market-based /ˈmɑːkɪt beɪst/	A **market-based** policy lets prices and markets solve the problem.
interventionist /ˌɪntəˈvenʃənɪst/	An **interventionist** policy means the government acts directly in the economy.
demand-side policies /dɪˈmænd saɪd ˈpɒlɪsiz/	**Demand-side policies** change total spending in the economy.

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