

*Economics questions open with a definition mark more often than any other subject on this site, and the mark is for precision: the right nouns, the right condition, and the ceteris paribus clause where the theory needs it. 经济学定义题按用词精确度给分。*

## Basic economic ideas

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**Scarcity** 稀缺性 — unlimited wants set against limited resources, which forces choice

**Opportunity cost** 机会成本 — the benefit forgone from the next best alternative when a choice is made

**Ceteris paribus** 其他条件不变 — all other factors held constant, so the effect of one variable can be isolated

**Free good** 自由物品 — a good with no opportunity cost, because it is not scarce

**Production possibility curve** 生产可能性曲线 — a curve showing the maximum combinations of two goods an economy can produce with all resources fully and efficiently employed

**Positive statement** 实证陈述 — a statement of fact that can be tested against evidence

**Normative statement** 规范陈述 — a statement of opinion or value judgement, containing words such as should or ought

## Demand, supply and elasticity

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**Effective demand** 有效需求 — the quantity consumers are willing AND able to buy at a given price in a given period

**Law of demand** 需求定律 — as price rises, quantity demanded falls, ceteris paribus

**Movement along a demand curve** 需求量变动 — a change in quantity demanded caused by a change in the good's own price

**Shift in demand** 需求变动 — a change in demand at every price, caused by a determinant other than the good's own price

**Price elasticity of demand** 需求价格弹性 — the responsiveness of quantity demanded to a change in price: percentage change in quantity demanded divided by percentage change in price

**Income elasticity of demand** 需求收入弹性 — percentage change in quantity demanded divided by percentage change in income; negative for an inferior good

**Cross elasticity of demand** 需求交叉弹性 — percentage change in quantity demanded of one good divided by percentage change in the price of another; positive for substitutes, negative for complements

**Price elasticity of supply** 供给价格弹性 — percentage change in quantity supplied divided by percentage change in price; greater in the long run when factors are mobile

**Consumer surplus** 消费者剩余 — the difference between what consumers are willing to pay and what they actually pay

**Producer surplus** 生产者剩余 — the difference between the price producers receive and the minimum they would accept

## The price system and market failure

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**Market failure** 市场失灵 — where the free market fails to allocate resources efficiently, so welfare is not maximised

**Externality** 外部性 — a cost or benefit falling on a third party not involved in the transaction

**Negative externality of production** 生产的负外部性 — where marginal social cost exceeds marginal private cost, so the market overproduces

**Merit good** 优效品 — a good which is under-consumed because consumers undervalue its private benefit, and which also creates positive externalities

**Public good** 公共品 — a good that is non-rival and non-excludable, so the free market fails to provide it – the free-rider problem

**Allocative efficiency** 配置效率 — where price equals marginal cost, so resources are allocated to the goods consumers value most

**Productive efficiency** 生产效率 — producing at the lowest point on the average cost curve, so output is made at least cost

**Government failure** 政府失灵 — where government intervention creates a net welfare loss, often through unintended consequences or information failure

**Maximum price** 最高限价 — a legal ceiling set BELOW equilibrium, which creates excess demand

**Minimum price** 最低限价 — a legal floor set ABOVE equilibrium, which creates excess supply

## The firm and market structure

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**Fixed cost** 固定成本 — a cost that does not vary with output in the short run

**Marginal cost** 边际成本 — the addition to total cost from producing one more unit

**Law of diminishing returns** 边际报酬递减 — as more of a variable factor is added to a fixed factor, the marginal product of the variable factor eventually falls

**Economies of scale** 规模经济 — the fall in long-run average cost as the scale of output rises

**Perfect competition** 完全竞争 — many buyers and sellers, a homogeneous product, perfect information and free entry and exit, so each firm is a price taker

**Monopoly** 垄断 — a single seller with high barriers to entry; in Cambridge terms, a firm with more than 25% of the market

**Oligopoly** 寡头 — a market dominated by a few firms, with interdependent decision-making

**Normal profit** 正常利润 — the minimum return needed to keep a firm in the industry; it is a cost of production

**Supernormal profit** 超额利润 — profit above normal profit, earned when average revenue exceeds average cost

**Natural monopoly** 自然垄断 — an industry where economies of scale are so large that one firm can supply the whole market at lower cost than several

# Macroeconomics

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**Gross domestic product** 国内生产总值 — the total value of goods and services produced within a country in a given period

**Real GDP** 实际 GDP — GDP adjusted for inflation, so it measures a change in output rather than in prices

**Economic growth** 经济增长 — an increase in real GDP; potential growth is an increase in productive capacity

**Inflation** 通货膨胀 — a sustained rise in the general price level

**Deflation** 通货紧缩 — a sustained FALL in the general price level; disinflation is a fall in the RATE of inflation

**Demand-pull inflation** 需求拉动型通胀 — inflation caused by aggregate demand rising faster than aggregate supply

**Cost-push inflation** 成本推动型通胀 — inflation caused by a rise in the costs of production, shifting aggregate supply left

**Unemployment** 失业 — people of working age who are without work, available for work and actively seeking it

**Cyclical unemployment** 周期性失业 — unemployment caused by a lack of aggregate demand in a downturn

**Structural unemployment** 结构性失业 — unemployment caused by a mismatch between workers' skills or location and the jobs available

**Balance of payments** 国际收支 — a record of all transactions between residents of a country and the rest of the world in a period

**Current account deficit** 经常账户赤字 — where the value of imports of goods, services, income and transfers exceeds exports

**Fiscal policy** 财政政策 — the use of government spending and taxation to influence aggregate demand

**Monetary policy** 货币政策 — the use of interest rates and the money supply to influence aggregate demand

**Supply-side policy** 供给侧政策 — policy aimed at increasing the productive capacity of the economy by improving incentives, skills or competition

**Multiplier** 乘数 — the ratio of the final change in national income to the initial change in injection that caused it

**Terms of trade** 贸易条件 — the ratio of an index of export prices to an index of import prices, times 100

**Comparative advantage** 比较优势 — the ability to produce a good at a lower opportunity cost than another country

**Protectionism** 贸易保护主义 — the use of tariffs, quotas and subsidies to restrict imports and shield domestic producers