Poverty, the state and development

Pearson Edexcel · International A-Level · Economics · Vocabulary in context

Word	Example
absolute poverty /ˈæbsəluːt ˈpɒvəti/	People in **absolute poverty** cannot pay for food and shelter.
purchasing power parity /ˈpɜːtʃɪsɪŋ ˈpaʊə ˈpærɪti/	**Purchasing power parity** says the same basket of goods should cost the same everywhere.
relative poverty /ˈrelətɪv ˈpɒvəti/	People in **relative poverty** have much less than most people around them.
median /ˈmiːdiːən/	Put the values in order before you find the **median**.
welfare benefits	**Welfare benefits** help people who are out of work.
structural change	**Structural change** can leave old factory towns behind.
wealth inequality /welθ ɪniːˈkwɒlɪti/	**Wealth inequality** means some people own far more houses and savings than others.
income inequality /ˈɪŋkʌm ɪniːˈkwɒlɪti/	**Income inequality** means some people earn far more than others.
inheritance /ɪnˈherɪtəns/	A large **inheritance** can make some families much richer than others.
Lorenz curve /ˈlɒrənts kɜːv/	A **Lorenz curve** shows how equally income is shared.
line of equality	On a Lorenz curve, the **line of equality** shows everyone with the same income.

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Gini coefficient /ˈdʒiːni ˌkəʊɪˈfɪʃənt/	A higher **Gini coefficient** means more inequality.
life expectancy /laɪf ekˈspektənsi/	Better health care raises **life expectancy**: people live longer.
Kuznets curve	The **Kuznets curve** says inequality first rises and then falls as a country grows.
capital expenditure /ˈkæpɪtl ekˈspendɪtʃə/	Buying a new machine is **capital expenditure**.
current expenditure	Teachers' pay is **current expenditure**: it is spent again every year.
transfer payments /ˈtrænsfɜː ˈpeɪmənts/	Pensions are **transfer payments**.
productivity /ˌprɒdəkˈtɪvɪti/	Better machines raise **productivity**: more output per hour.
crowding out /ˈkraʊdɪŋ aʊt/	**Crowding out** happens when government borrowing leaves less money for firms.
direct taxes	Income taxes are **direct taxes** on people or organisations.
indirect taxes /ɪndaɪˈrekt ˈtæksɪz/	Sales taxes are **indirect taxes** on spending.
progressive /prəˈgresɪv/	Income tax is **progressive**: richer people pay a higher rate.
proportional /prəˈpɔːʃənl/	A flat 25% tax on all incomes is **proportional**. 25%

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regressive /rɪ'gresɪv/	A fixed charge for everyone is **regressive**: it hurts poorer people more.
Laffer curve /'læfə kɜːv/	The **Laffer curve** says very high tax rates can bring in less money.
fiscal deficit /'fɪskl 'defɪsɪt/	The government has a **fiscal deficit** when it spends more than it collects.
national debt /'næʃənl det/	The **national debt** is all the money the government owes.
automatic stabilisers	Unemployment benefits act as **automatic stabilisers** in a recession.
discretionary fiscal policy	A tax cut to fight a recession is **discretionary fiscal policy**.
cyclical deficit	A **cyclical deficit** grows in a recession and shrinks when the economy recovers.
structural deficit /'strʌktʃərəl 'defɪsɪt/	A **structural deficit** stays even when the economy is doing well.
debt interest	High **debt interest** leaves less money for schools and hospitals.
credit rating	A good **credit rating** lets a government borrow at a lower interest rate.
intergenerational equity	**Intergenerational equity** asks whether borrowing today is fair to our children.
direct controls	Price caps are a kind of **direct controls**.

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quantitative easing /ˈkwɒntɪteɪtɪv ˈiːzɪŋ/	In **quantitative easing**, the central bank creates money to buy bonds.
transfer pricing /ˈtrænsfɜː ˈpraɪsɪŋ/	With **transfer pricing**, a company moves profit to a country with low taxes.
global minimum corporate tax	The **global minimum corporate tax** stops firms moving profits to places with very low tax.
economic development /ˌiːkəˈnɒmɪk dɪˈveləpmənt/	**Economic development** improves people's living standards and opportunities.
Human Development Index /ˈhjuːmən dɪˈveləpmənt ˈɪndeks/	The **Human Development Index** combines health, education and income.
GNI per head	**GNI per head** is national income divided by the number of people.
geometric mean	The HDI is the **geometric mean** of three numbers. HDI
primary product dependency /ˈpraɪməri ˈprɒdʌkt dɪˈpendənsi/	A country that sells only coffee shows **primary product dependency**.
Prebisch–Singer hypothesis	The **Prebisch–Singer hypothesis** says prices of raw materials fall compared with factory goods over time.
savings gap /ˈseɪvɪŋz gæp/	A **savings gap** means people save too little to pay for new investment.
Harrod–Domar model	The **Harrod–Domar model** says growth depends on saving and investment.

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Word	Example
foreign currency gap	A country with a **foreign currency gap** cannot pay for the imports it needs.
capital flight /ˈkæpɪtl flaɪt/	**Capital flight** happens when money suddenly leaves a country.
corruption	**Corruption** takes money away from schools and hospitals.
market-orientated /ˈmɑːkɪt ˈɔːrɪənteɪtɪd/	A **market-orientated** firm first asks what customers want.
microfinance /ˌmaɪkrəʊfaɪˈnæns/	**Microfinance** gives very small loans to poor people with no bank.
interventionist /ˌɪntəˈvenʃənɪst/	An **interventionist** policy means the government acts directly in the economy.
joint ventures /dʒɔɪnt ˈventʃəz/	In **joint ventures**, two firms work together on one project and share the risk.
buffer stocks	**Buffer stocks** buy crops when prices are low and sell them when prices are high.
debt relief	**Debt relief** cancels some of a poor country's loans.
Lewis dual-sector model /ˈluːɪs ˈdjuːəl ˈsektə ˈmɒdl/	The **Lewis dual-sector model** shows workers moving from farms to factories.
World Bank /wɜːld bæŋk/	The **World Bank** lends money for roads, schools and dams.
International Monetary Fund /ˌɪntəˈnæʃənl ˈmʌnɪtəri fʌnd/	The **International Monetary Fund** helps countries that cannot pay their debts.

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Word	Example
conditionality	IMF loans come with **conditionality**: the government must change its policies. IMF
non-governmental organisations	**Non-governmental organisations**, such as the Red Cross, are not run by the government.

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