The global economy (4.1-4.10)

International Baccalaureate · IB Diploma · Economics · HL · Vocabulary in context

Word	Example
economies of scale /ɪ'kɒnəmiz ɒv skeɪl/	Large firms gain **economies of scale**, so each unit costs less.
absolute advantage /'æbsəluːt əd'vɑːntɪdʒ/	A country with **absolute advantage** makes more with the same resources.
comparative advantage /kəm'pærətɪv əd'vɑːntɪdʒ/	A country has a **comparative advantage** in what it gives up least to make.
opportunity cost /ɒpə'tjuːnɪti kɒst/	The **opportunity cost** of a holiday is what else you could have bought.
World Trade Organization /wɜːld treɪd ˌɔːgənaɪ'zeɪʃn/	The **World Trade Organization** sets the rules for trade between countries.
trade disputes	**Trade disputes** arise when countries disagree over trade policies.
trade protection /treɪd prə'tekʃn/	Import restrictions are instruments of **trade protection**.
tariff /'tærɪf/	A **tariff** is a tax on imported goods.
quota /'kwəʊtə/	An import **quota** limits how many cars can come in.
production subsidies	**Production subsidies** lower domestic firms' production costs.
export subsidies	**Export subsidies** support goods sold abroad.

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administrative barriers /əd'mɪnɪstrətɪv 'bærɪəz/	Slow, complicated customs checks are **administrative barriers** to trade.
infant industry /'ɪnfənt 'ɪndʌstri/	An **infant industry** is a new industry that may need protection while it grows.
retaliate	A country may **retaliate** against a tariff with its own tariff.
dumping /'dʌmpɪŋ/	**Dumping** means selling goods abroad below their cost.
diversification /daɪˌvɜːsɪfɪ'keɪʃn/	Selling several export products improves **diversification**.
economic integration /ˌiːkə'nɒmɪk ˌɪntɪ'greɪʃn/	A customs union is deeper **economic integration** than a free-trade area.
bilateral	A **bilateral** trade agreement involves two parties.
multilateral	A **multilateral** agreement involves several countries.
preferential trade agreement	A **preferential trade agreement** lowers some barriers between its members.
trading blocs	**Trading blocs**, such as the EU, let members trade more freely. EU
free trade area	A **free trade area** removes tariffs between members, but each sets its own tariffs on others.
customs union /'kʌstəmz 'juːnɪən/	A **customs union** also has the same tariff on goods from outside.

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common external tariff	A **common external tariff** is the same tariff on imports from outside the group.
common market /ˈkɒmən ˈmɑːkɪt/	A **common market** also lets workers and money move freely.
economic and monetary union /ˌiːkəˈnɒmɪk ænd ˈmʌnɪtəri ˈjuːnɪən/	An **economic and monetary union** shares one currency, such as the euro.
trade diversion	**Trade diversion** happens when dearer goods from a partner replace cheaper goods from outside.
trade creation	**Trade creation** happens when cheaper goods from a partner replace dearer home goods.
exchange rate /eksˈtʃeɪndʒ reɪt/	The **exchange rate** is the price of one currency in another.
floating exchange rate /ˈfləʊtɪŋ eksˈtʃeɪndʒ reɪt/	A **floating exchange rate** moves up and down with supply and demand.
appreciation /əˌpriːʃiˈeɪʃn/	An **appreciation** of the yuan makes Chinese exports dearer abroad.
depreciation /dɪˌpriːʃiˈeɪʃn/	A currency **depreciation** makes imports more expensive.
hot money	**Hot money** moves quickly between countries to find the best interest rate.
speculate /ˈspekjʊleɪt/	Traders **speculate** when they buy currency hoping its price will rise.

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fixed exchange rate /fɪkst eksˈtʃeɪndʒ reɪt/	A **fixed exchange rate** is held at one value by the government.
devaluation /diːˌvæljuːˈeɪʃn/	**Devaluation** lowers a fixed exchange rate.
revaluation /rɪˌvæljuːˈeɪʃn/	A **revaluation** raises a fixed exchange rate.
managed exchange rate /ˈmænɪdʒd eksˈtʃeɪndʒ reɪt/	In a **managed exchange rate**, the central bank sometimes steps in.
foreign currency reserves	**Foreign currency reserves** let a central bank support its currency.
balance of payments /ˈbæləns ɒv ˈpeɪmənts/	The **balance of payments** records all money flowing into and out of a country.
current account /ˈkʌrənt əˈkaʊnt/	Money from selling services abroad goes into the **current account**.
primary income /ˈpraɪməri ˈɪŋkʌm/	Wages and investment returns from abroad are **primary income**.
secondary income /ˈsekəndəri ˈɪŋkʌm/	Personal transfers from abroad are **secondary income**.
capital account /ˈkæpɪtl əˈkaʊnt/	The **capital account** records some transfers of money and ownership between countries.
financial account /faɪˈnænʃl əˈkaʊnt/	Money invested abroad is recorded in the **financial account**.
foreign direct investment /ˈfɒrən daɪˈrekt ɪnˈvestmənt/	Building a factory abroad is **foreign direct investment**.

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portfolio investment	Buying a few shares in a foreign firm is **portfolio investment**.
expenditure-switching policies	**Expenditure-switching policies** make people buy home goods instead of imports.
expenditure-reducing policies	**Expenditure-reducing policies** cut total spending, including on imports.
Marshall–Lerner condition /ˈmɑːʃl ˈlɜːnə kənˈdɪʃn/	The **Marshall–Lerner condition** says a fall in the currency helps trade only if demand is elastic enough.
terms of trade /tɜːmz ɒv treɪd/	The **terms of trade** improve when export prices rise faster than import prices.
primary products	Raw cotton and copper ore are **primary products**.
economic development /ˌiːkəˈnɒmɪk dɪˈveləpmənt/	**Economic development** improves people's living standards and opportunities.
sustainable development /səˈsteɪnəbl dɪˈveləpmənt/	**Sustainable development** meets our needs without harming future generations.
Sustainable Development Goals /səˈsteɪnəbl dɪˈveləpmənt gəʊlz/	The **Sustainable Development Goals** aim to end poverty and protect the planet.
composite indicators	**Composite indicators**, such as the HDI, combine several measures into one. HDI
Human Development Index /ˈhjuːmən dɪˈveləpmənt ˈɪndeks/	The **Human Development Index** combines health, education and income.
Inequality-adjusted HDI	The **Inequality-adjusted HDI** is lower when health, education and income are shared unequally.

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Gender Inequality Index /ˈdʒendə ɪniːˈkwɒlɪti ˈɪndeks/	The **Gender Inequality Index** measures how far women are behind men.
poverty trap /ˈpɒvəti træp/	In a **poverty trap**, poor people cannot save, so they stay poor.
capital flight /ˈkæpɪtl flaɪt/	**Capital flight** happens when money suddenly leaves a country.
landlocked	A **landlocked** country has no direct sea access.
gender inequality	Unequal access to education is one form of **gender inequality**.
export promotion	**Export promotion** supports selling domestic goods abroad.
import substitution	**Import substitution** replaces imports with domestic production.
multinational corporations /ˌmʌltɪˈnæʃənl ˌkɔːpəˈreɪʃnz/	**Multinational corporations** operate in more than one country.
foreign aid	**Foreign aid** transfers resources to support another country.
debt relief	**Debt relief** cancels some of a poor country's loans.
microfinance /ˌmaɪkrəʊfaɪˈnæns/	**Microfinance** gives very small loans to poor people with no bank.
fair trade /feə treɪd/	**Fair trade** seeks better trading conditions for producers.