The allocation of resources

IGCSE Economics · Vocabulary in context

Word	Example
microeconomics /ˌmaɪkrəʊˌiːkəˈnɒmɪks/	**Microeconomics** studies single markets, such as the market for bread.
macroeconomics /ˌmækrəˌriːkəˈnɒmɪks/	**Macroeconomics** studies the whole economy, such as inflation.
market /ˈmɑːkɪt/	The **market** for phones in China is huge.
price mechanism /praɪs ˈmekənɪzəm/	The **price mechanism** uses price changes to share out goods.
allocate /ˈæləkeɪt/	Markets **allocate** resources through prices.
resources /rɪˈzɔːsɪz/	Animals compete for **resources** such as food and water.
signalling /ˈsɪgnəlɪŋ/	Prices work by **signalling**: a high price tells firms to make more.
incentive /ɪnˈsentɪv/	Profit is an **incentive** for firms to make what people want.
firms /fɜːmz/	Many **firms** sell phones.
rationing /ˈræʃənɪŋ/	High prices act as **rationing**: only those who can pay get the good.
demand /dɪˈmænd/	Hot weather increases the **demand** for ice cream.
good /gʊd/	A pen is a **good**; a haircut is a service.

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consumers /kənˈsuːməz/	Animals are **consumers**: they eat other living things.
law of demand /lɔː ɒv dɪˈmænd/	The **law of demand** says people buy less when prices rise.
inverse relationship /ɪnˈvɜːs rɪˈleɪʃənʃɪp/	Price and demand have an **inverse relationship**: one goes up, the other goes down.
ceteris paribus /ˈsetərɪs ˈpærɪbəs/	**Ceteris paribus** means "all other things staying the same". "all other things staying the same"。
quantity demanded /ˈkwɒntɪti dɪˈmændɪd/	**Quantity demanded** is how much people buy at one price.
demand curve /dɪˈmænd kɜːv/	A **demand curve** slopes down: people buy more when the price falls.
shift /ʃɪft/	To insert an item, **shift** the others one place to the right.
income /ˈɪŋkʌm/	Wages are **income** received over time.
tastes /teɪsts/	Changing **tastes** made plant-based food popular.
substitutes /ˈsʌbstɪtjuːts/	Tea and coffee can be **substitutes**.
complements /ˈkɒmplɪments/	Printers and ink are **complements**: you need both.
population /ˌpɒpjʊˈleɪʃn/	A larger **population** means more demand for food.
advertising /ˈædvətaɪzɪŋ/	The firm spends a lot on **advertising** on social media.
supply /səˈplaɪ/	A new bakery increases the **supply** of bread.

Word	Example
law of supply /lɔ: ɒv sə'plaɪ/	The **law of supply** says firms sell more when prices rise.
direct relationship /daɪ'rekt rɪ'leɪʃənʃɪp/	Price and supply have a **direct relationship**: they rise together.
quantity supplied /'kwɒntɪti sə'plaɪd/	**Quantity supplied** rises when the price rises.
supply curve /sə'plaɪ kɜ:v/	A **supply curve** slopes up: firms sell more when the price rises.
costs of production /kɒsts ɒv prə'dʌkʃn/	Wages and materials are **costs of production**.
technology /tek'nɒlədʒi/	New **technology** lets factories make more with fewer workers.
tax /tæks/	Businesses pay **tax** on their profits.
subsidy /'sʌbsɪdi/	A **subsidy** is money from the government that lowers a firm's costs.
equilibrium /ˌi:kwɪ'lɪbrɪəm/	At **equilibrium**, the amount people want to buy equals the amount for sale.
disequilibrium /ˌdɪˌsi:kwɪ'lɪbrɪəm/	In **disequilibrium**, there is either a shortage or a surplus.
excess demand /ek'ses dɪ'mænd/	**Excess demand** means people want more than is for sale, so queues form.
shortage /'ʃɔ:tɪdʒ/	When tickets are cheap, there is a **shortage**: not enough for everyone.

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Word	Example
excess supply /ek'ses sə'plaɪ/	At a high price there is **excess supply**: goods are left unsold.
surplus /'sɜ:pləs/	A **surplus** of apples makes their price fall.
price elasticity of demand /praɪs ɪlæ'stɪsɪti ɒv dɪ'mænd/	**Price elasticity of demand** shows how much demand changes when the price changes.
determinants /dɪ'tɜ:mɪnənts/	Income and tastes are **determinants** of demand.
addictive	**Addictive** goods such as cigarettes have inelastic demand.
elastic /ɪ'læstɪk/	Demand is **elastic** when a small price rise causes a big fall in sales.
inelastic /ɪnɪ'læstɪk/	Demand is **inelastic** when a price rise causes only a small fall in sales.
unit elastic /'ju:nɪt ɪ'læstɪk/	Demand is **unit elastic** when sales and price change by the same percentage.
total revenue /'təʊtl 'revənju:/	Price times quantity sold gives **total revenue**.
total expenditure /'təʊtl ek'spendɪtʃə/	**Total expenditure** is price times quantity.
price elasticity of supply /praɪs ɪlæ'stɪsɪti ɒv sə'plaɪ/	**Price elasticity of supply** shows how much supply changes when the price changes.
spare capacity /speə kə'pæsɪti/	A factory with **spare capacity** can make more without new machines.

Word	Example
stocks /stɒks/	The shop keeps **stocks** of goods in the back room.
market economy /'mɑːkɪt ɪ'kɒnəmi/	In a **market economy**, prices decide what is made.
planned economy /plænd ɪ'kɒnəmi/	In a **planned economy**, the government decides what is made.
market failure /'mɑːkɪt 'feɪlɪə/	Pollution with no price is a **market failure**.
inefficient /ɪnɪ'fɪʃənt/	An **inefficient** factory wastes materials.
private cost /'praɪvət kɒst/	The **private cost** of a car trip is what the driver pays for fuel and parking.
external cost /ek'stɜːnl kɒst/	Noise from a factory is an **external cost** to its neighbours.
social cost /'səʊʃl kɒst/	The **social cost** of driving includes the fuel you pay for and the dirty air others breathe.
private benefit /'praɪvət 'benɪfɪt/	Your education gives you a **private benefit**: a better job.
external benefit /ek'stɜːnl 'benɪfɪt/	A vaccine gives an **external benefit**: others are less likely to get ill.
social benefit /'səʊʃl 'benɪfɪt/	The **social benefit** is the private benefit plus the external benefit.
merit goods /'merɪt gʊdz/	Education and health care are **merit goods**.
demerit goods /'demərɪt gʊdz/	Cigarettes and alcohol are **demerit goods**.

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Word	Example
public goods /'pʌblɪk gʊdz/	Street lights are **public goods**: everyone can use them, and one user does not stop another.
monopoly /mə'nɒpəli/	A **monopoly** is the only seller in a market.
mixed economy /mɪkst ɪ'kɒnəmi/	In a **mixed economy**, both the government and private firms provide goods.
private sector /'praɪvət 'sektə/	A family bakery belongs to the **private sector**.
public sector /'pʌblɪk 'sektə/	State schools belong to the **public sector**.
intervention /ˌɪntə'venʃn/	Government **intervention** can fix market failure.
maximum price /'mæksɪməm praɪs/	A **maximum price** below the market price causes shortages.
minimum price /'mɪnɪməm praɪs/	A **minimum price** above the market price causes surpluses.
indirect tax /ɪndaɪ'rekt tæks/	VAT is an **indirect tax**. VAT
regulation /ˌregjʊ'leɪʃn/	**Regulation** sets rules that firms must follow.
direct provision /daɪ'rekt prə'vɪʒn/	State schools are an example of **direct provision** by the government.
black market /blæk 'mɑːkɪt/	When rice was rationed, people sold it secretly on the **black market**.