Government and the macroeconomy

IGCSE Economics · Vocabulary in context

Word	Example
macroeconomy /ˌmækrərɪˈkɒnəmi/	The **macroeconomy** is the whole economy of a country.
economic growth /ˌiːkəˈnɒmɪk grəʊθ/	**Economic growth** means the economy makes more each year.
full employment /fʊl emˈplɔɪmənt/	**Full employment** means nearly everyone who wants a job has one.
unemployment /ʌnemˈplɔɪmənt/	**Unemployment** counts people who want a job but do not have one.
price stability /praɪs stəˈbɪlɪti/	**Price stability** means prices rise only slowly.
inflation /ɪnˈfleɪʃn/	**Inflation** means prices in general are rising.
balance of payments /ˈbæləns ɒv ˈpeɪmənts/	The **balance of payments** records all money flowing into and out of a country.
redistribution of income /ˌriːˌdɪstrɪˈbjuːʃn ɒv ˈɪŋkʌm/	A **redistribution of income** moves money from richer people to poorer people.
conflict /ˈkɒnflɪkt/	There can be **conflict** between two aims, such as low inflation and low unemployment.
Fiscal policy /ˈfɪskl ˈpɒlɪsi/	**Fiscal policy** changes taxes and government spending.
government spending /ˈgʌvənmənt ˈspendɪŋ/	**Government spending** pays for schools, hospitals and the army.

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taxation /tækˈseɪʃn/	**Taxation** is how the government takes money from people and firms.
budget /ˈbʌdʒɪt/	The **budget** sets planned spending for the coming year.
budget deficit /ˈbʌdʒɪt ˈdefɪsɪt/	A **budget deficit** means the government spends more than it collects in tax.
budget surplus /ˈbʌdʒɪt ˈsɜːpləs/	A **budget surplus** occurs when government revenue exceeds spending.
direct tax /daɪˈrekt tæks/	Income tax is a **direct tax**.
income /ˈɪŋkʌm/	Wages are **income** received over time.
profit /ˈprɒfɪt/	If sales are bigger than costs, the firm makes a **profit**.
indirect tax /ɪndaɪˈrekt tæks/	VAT is an **indirect tax**. VAT
progressive tax /prəˈgresɪv tæks/	Income tax is a **progressive tax**: richer people pay a bigger share.
regressive tax /rɪˈgresɪv tæks/	A **regressive tax** takes a bigger share from poorer people.
proportional tax /prəˈpɔːʃənl tæks/	A **proportional tax** takes the same share of everyone's income.
demand /dɪˈmænd/	Hot weather increases the **demand** for ice cream.
Monetary policy /ˈmʌnɪtəri ˈpɒlɪsi/	**Monetary policy** changes interest rates to control inflation.

Word	Example
central bank /ˈsentrəl bæŋk/	The **central bank** sets interest rates.
money supply /ˈmʌni səˈplaɪ/	The **money supply** is the total amount of money in the economy.
invest /ɪnˈvest/	Firms may **invest** in machines to increase future output.
Supply-side policy /səˈplaɪ saɪd ˈpɒlɪsi/	Better training is a **supply-side policy**.
factors of production /ˈfæktəz ɒv prəˈdʌkʃn/	Land, workers and machines are **factors of production**.
productivity /ˌprɒdəkˈtɪvɪti/	Better machines raise **productivity**: more output per hour.
privatisation /ˌpraɪvətaɪˈzeɪʃn/	**Privatisation** sells a state-owned firm to private owners.
deregulation /diːˌregjʊˈleɪʃn/	**Deregulation** removes rules that stop new firms from entering.
incentives /ɪnˈsentɪvz/	Lower prices are **incentives** for people to buy more.
gross domestic product /grəʊs dəˈmestɪk ˈprɒdʌkt/	**Gross domestic product** is the value of everything a country makes in a year.
Real /rɪəl/	**Real** GDP takes away the effect of rising prices.
business cycle /ˈbɪznəs ˈsaɪkl/	A **business cycle** includes expansions and contractions in economic activity.
boom /buːm/	A **boom** is a period of strong economic activity.

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Word	Example
recession /rɪˈseʃn/	A **recession** is a long fall in economic activity.
slump /slʌmp/	In a **slump**, output falls and many people lose their jobs.
recovery /rɪˈkʌvəri/	A **recovery** brings rising activity after a downturn.
living standards /ˈlɪvɪŋ ˈstændədz/	Better jobs raise **living standards**.
claimant count /ˈkleɪmənt kaʊnt/	The **claimant count** is the number of people getting unemployment benefits.
unemployment benefit /ʌnemˈplɔɪmənt ˈbenɪfɪt/	People without work may get **unemployment benefit**.
labour force survey /ˈleɪbə fɔːs ˈsɜːveɪ/	The **labour force survey** asks people directly whether they have a job.
labour force /ˈleɪbə fɔːs/	The **labour force** is everyone who has a job or is looking for one.
frictional unemployment /ˈfrɪkʃənl ʌnemˈplɔɪmənt/	**Frictional unemployment** happens while people move from one job to the next.
structural unemployment /ˈstrʌktʃərəl ʌnemˈplɔɪmənt/	When coal mines close, miners face **structural unemployment** because their skills are no longer needed.
cyclical unemployment /ˈsaɪklɪkl ʌnemˈplɔɪmənt/	**Cyclical unemployment** rises when the whole economy slows down.
primary sector /ˈpraɪməri ˈsektə/	Fishing belongs to the **primary sector**.

Word	Example
secondary sector /ˈsekəndəri ˈsektə/	Car manufacturing belongs to the **secondary sector**.
tertiary sector /ˈtɜːʃəri ˈsektə/	Banking belongs to the **tertiary sector**.
deindustrialisation /ˌdeɪndəˌstrɪəlaɪˈzeɪʃn/	**Deindustrialisation** means factories become a smaller part of the economy.
deflation /diːˈfleɪʃn/	During **deflation**, prices in general fall.
Consumer Prices Index /kənˈsuːmə ˈpraɪsɪz ˈɪndeks/	The **Consumer Prices Index** tracks the price of everyday goods.
weight /weɪt/	The **weight** on the edge is the distance.
demand-pull /dɪˈmænd pʊl/	**Demand-pull** inflation happens when people want to buy more than firms can make.
cost-push /kɒst pʊʃ/	**Cost-push** inflation happens when oil and wages cost more.
purchasing power /ˈpɜːtʃɪsɪŋ ˈpaʊə/	When prices rise, the **purchasing power** of your money falls.
interest rate /ˈɪntrest reɪt/	When the **interest rate** rises, borrowing money costs more.
exchange rate /eksˈtʃeɪndʒ reɪt/	The **exchange rate** is the price of one currency in another.
percentage points /pəˈsentɪdʒ pɔɪnts/	A rise from 30% to 35% is five **percentage points**. 30% 35%

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