AQA A-Level Economics

All Definitions

Contents

Hey there! 👋

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1) AS Level Microeconomics - The operation of markets and market failure

We've taken some of the trickiest **key definitions and concepts** from **AQA A-Level Economics** and broken them down into **plain English**, no confusing jargon, just easy-to-understand explanations! 🚀📚

A

- **Allocative Efficiency** – This happens when resources are used in just the right way to give people what they need and want most. Think of it as the economy's sweet spot!
- **Allocative Price Function** – Prices act like traffic signs, guiding resources from areas with too much stuff to places where it's in short supply.
- **Average Cost (AC)** – This is just the total cost divided by how many units you make. Think of it as the cost per item.
- **Average Revenue (AR)** – Total money made divided by how many units you sold = revenue per product sold.
- **Artificial Barrier to Entry** – Man-made obstacles that make it harder for new businesses to join a market (like complex licenses or heavy advertising by big firms).
- **Administrative Costs** – Costs like paperwork and red tape. They're not part of making a product but still cost money.
- **Asymmetric Information** – When one person knows way more than the other in a deal—like a doctor knowing more than a patient.
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C

- **Capital (or Producer Goods)** – Tools, machines, and buildings used to make other stuff. They're not for direct consumption.
- **Capital Productivity** – How much output you get for each unit of capital (like machines or equipment).
- **Choice** – Picking one option from many, because we can't have everything. Life's full of trade-offs!
- **Consumer Goods** – Stuff people buy for their own use—like snacks, clothes, or phones.
- **Competing Supply** – When resources can only be used for one thing or another, not both. Example: Land can grow wheat or build houses—not both at once!
- **Competitive Markets** – Markets where lots of buyers and sellers compete freely. There are few barriers to join or leave.
- **Complementary Goods** – Goods that go hand in hand, like coffee and sugar or printers and ink.
- **Complete Market Failure** – When a market simply doesn't exist for something society needs (like national defence—nobody's selling it privately!).

- **Composite Demand** – When a good has more than one use. For example, milk is used for drinking, baking, and cheese-making.
- **Condition of Demand** – Anything (other than the good's price) that affects how much people want to buy, like taste or income.
- **Condition of Supply** – Any non-price factor that affects how much producers want to make, like technology or weather.
- **Customer Sovereignty** – Shoppers rule! The idea that what consumers choose to buy shapes what businesses produce.
- **Cross Elasticity of Demand (XED)** – Shows how demand for one product changes when the price of another product changes. E.g. if Coke gets pricey, demand for Pepsi might rise.
- **Collusion** – When companies secretly work together (illegally!) to fix prices or limit competition. Think of it like cheating on the market test.
- **Concentrated Market** – A market with just a few big players—or even just one!
- **Concentration Ratio** – The combined market share of the top firms in a market. The higher the number, the less competition there is.

D

- **Demand** – How much of something people are willing and able to buy at a certain price.
- **Derived Demand** – Demand for something that's needed to make something else. Example: Demand for steel depends on demand for cars.
- **Disequilibrium** – When supply and demand aren't equal—either too much or too little of a good.
- **Diseconomies of Scale** – When making more stuff actually raises your average costs. Usually caused by things like overcrowding or management issues.
- **Division of Labour** – Splitting tasks among workers so each one specializes in a specific job. It boosts productivity.
- **Demerit Good** – A product that's bad for you but people still use it (like cigarettes). It creates negative side effects.

E

- **Economic Welfare** – How happy and satisfied people are with their financial and material well-being.
- **Enterprise** – The human skill and risk-taking involved in starting and running a business.
- **Effective Demand** – When people not only want something but also have the money to pay for it.
- **Elasticity** – How sensitive one thing is to changes in another. For example, how much demand changes when price changes.
- **Equilibrium** – The perfect balance where supply equals demand.
- **Equilibrium Price** – The price at which what people want to buy equals what producers want to sell.
- **Excess Demand** – When people want more of a good than is available—often causes prices to rise.

- **Excess Supply** – When there's more product than people want to buy—often causes prices to fall.
- **Exchange** – Trading goods or services, usually using money as the go-between.
- **Economies of Scale** – The more you produce, the cheaper it gets (on average) per item. Win-win!
- **External Economies of Scale** – Cost savings thanks to your industry growing, not just your business.
- **Entry Barrier** – Anything that makes it tough for new companies to get started in a market.
- **Exit Barrier** – Things that make it hard for a business to leave a market (like long contracts or costly shutdowns).
- **Economic Welfare** – A fancy way of saying how good life is for people, especially in money and well-being terms.

F

- **Factors of Production** – The ingredients needed to make goods and services: land, labour, capital, and enterprise.
- **Finite Resource** – A resource that will run out one day—like oil or coal.
- **Fundamental Economic Problem** – We've got unlimited wants, but limited resources. So, what's the best way to use what we've got?
- **Fixed Costs** – Bills that don't change no matter how much you produce—like rent or insurance.
- **Free-Rider Problem** – Once a public good is available, people can enjoy it without paying for it. Imagine watching fireworks from your window instead of the event.

G

- **Government Intervention** – When the government steps into the market to fix things like high prices or pollution.

I

- **Imperfect Information** – When people don't have all the facts, they might make bad choices.
- **Incentive Price Function** – Prices give people reasons to act. High prices may push sellers to supply more.
- **Income Elasticity of Demand (YED)** – Shows how demand changes when people's income changes.
- **Inferior Good** – A good that people buy more of when their income goes down, like instant noodles.
- **Internal Economies of Scale** – Cost savings from your business growing, like bulk buying or better tech.
- **Imperfect Competition** – Real-world markets that don't have perfect conditions—so, basically almost every market out there.
- **Immobility of Factors of Production** – When things like workers or machines can't easily move to where they're needed.
- **Imperfect Information** – When someone doesn't have enough facts to make the best decision.

- **Incentive** – Something that encourages people to take action, like discounts or rewards.
- **Income Inequality** – Big differences in how much money people earn.

J

- **Joint Supply** – When producing one good naturally produces another. Example: Raising cows gives us both beef and leather.

L

- **Labour Productivity** – How much a single worker can produce.
- **Long Run** – A time period when all factors of production (labour, land, capital) can be changed.
- **Long-run Average Cost** – The average cost per unit when all inputs can be changed over time.
- **Long-run Production** – Adjusting everything (labour, machinery, etc.) to produce more or less.
- **Limit Pricing** – When a business lowers its prices just enough to scare off new competition.

M

- **Market Share Maximisation** – When a firm tries to grab the biggest slice of the market pie, even if it sacrifices profits.
- **Market Structure** – The setup of a market: number of sellers, product types, entry rules, etc.
- **Monopoly Power** – When a company has the power to set prices instead of just accepting what the market dictates.
- **Market Distortions** – When something (like taxes or regulations) messes with how markets normally work.
- **Market Economy** – An economy where prices and output are controlled by supply and demand, not the government.
- **Market Failure** – When the market doesn't do its job properly—like wasting resources or harming the environment.
- **Merit Good** – A product that's good for people but often under-consumed (like education or vaccines).
- **Misallocation of Resources** – When resources aren't used in the best way possible.
- **Monopoly Power** – When a business can set its own prices because it's so dominant.
- **Monopoly** – A market with just one seller or one firm in charge.

N

- **Need** – Something essential for survival—like food, water, and shelter.
- **Normative Statement** – An opinion-based claim like "we should raise taxes." These can't be proven right or wrong.
- **Normal Good** – A good people buy more of as their income increases—like new clothes or nicer meals.

- **Natural Barrier to Entry** – Barriers that happen naturally, like a super expensive production process or limited access to resources.
- **Natural Monopoly** – A market that works best with just one firm (like your local water supply company).
- **Negative Externality** – Harm to others from a transaction, like air pollution from a factory.
- **Non-Excludable** – You can't stop people from using it, even if they didn't pay.
- **Non-Rival** – One person using it doesn't stop others from using it too (like streetlights).

O

- **Opportunity Cost** – When you choose one thing, you give up something else. That "something else" is the opportunity cost.
- **Oligopoly** – A market controlled by a few big firms. They watch each other closely—like rivals in a chess match.

P

- **Positive Statement** – A fact-based claim that can be tested and proven true or false.
- **Production Possibility Frontier (PPF)** – A curve showing the different combinations of two things you can make using all your resources efficiently.
- **Price Elasticity of Supply** – How much supply changes in response to a price change.
- **Producer Sovereignty** – When businesses decide what to produce and at what price.
- **Production** – Turning inputs (like raw materials, time, and effort) into finished goods or services.
- **Productive Efficiency** – Getting the most output for the least cost. Basically, no waste!
- **Productivity** – Output per input. So how much work you get out for what you put in.
- **Profit** – What's left after subtracting total costs from total revenue. The money you actually make.
- **Patent** – A legal shield that gives a company exclusive rights to make or sell an invention for a set time.
- **Predatory Pricing** – When a firm drops prices super low (even below cost) to push out competitors—sneaky and temporary.
- **Price Competition** – Trying to win over customers by cutting prices. Classic sales battle!
- **Price Maker** – A firm that has the power to set its own prices because it dominates the market.
- **Price Taker** – A business that has to accept whatever price the market sets.
- **Product Differentiation** – Making your product stand out from similar ones—like funky packaging or cool features.
- **Profit Maximisation** – The sweet spot where the gap between revenue and cost is the biggest = most profit!
- **Pure Monopoly** – A market with just one seller—no competition in sight.
- **Partial Market Failure** – The market works but not well—it causes problems like pollution or overpricing.
- **Positive Externality** – A good side effect that helps others, like someone getting vaccinated reducing disease spread.
- **Price Controls** – Government rules that cap how high or low a price can go.
- **Price Mechanism** – The system where prices rise and fall based on supply and demand.
- **Private Benefit** – Benefits you personally get from buying or doing something.

- **Private Cost** – The direct cost you pay when making or consuming something.
- **Public Goods** – Stuff everyone can use and benefit from, like streetlights or the police.

Q

- **Quasi-Public Goods** – Part public, part private—like roads (free to use, but sometimes tolled).

R

- **Rationing Price Function** – When goods are scarce, prices go up to limit how much people buy.
- **Renewable Resource** – A resource that can be naturally replaced—like trees or wind.
- **Rationing** – Limiting how much of something people can get.
- **Regulations** – Rules and laws made to control market behaviour.

S

- **Scarcity** – The reason economics exists! We don't have enough resources to give everyone everything they want.
- **Signalling Price Function** – Prices send signals. If something is expensive, it tells suppliers to make more.
- **Substitute Good** – A product that can replace another. For example, butter and margarine.
- **Supply** – How much of something producers are willing and able to sell at a given price.
- **Short Run** – A time period where at least one resource (like a factory) can't be changed.
- **Specialisation** – Focusing on one skill or task to do it better and faster.
- **Sales Maximisation** – Focusing on selling as much as possible, not necessarily making the most profit.
- **Signalling** – Prices give messages: high prices say "make more!", low prices say "maybe make less."
- **Social Benefits** – All the good that comes from something—both private and public.
- **Social Cost** – The total cost of something to society, not just the person paying for it.
- **State Provision** – When the government supplies something itself, like the NHS.
- **Subsidies** – Government money given to help businesses produce certain goods.

T

- **Trade** – The exchange of goods and services. It's how we get things we don't make ourselves.
- **Technical Economies of Scale** – Saving money by improving how stuff is made—like automation.
- **Total Cost** – Everything you spend to make your product: fixed costs + variable costs.
- **Total Revenue** – Price per unit × number of units sold = all the money that comes in.

U

- **Unintended Consequences** – Surprises. These are outcomes that weren't expected when someone made a decision.

V

- **Variable Cost** – Costs that change depending on how much you produce, like materials or wages.

W

- **Want** – Something nice to have, but not essential for living—like a holiday or the newest phone.

2) AS Level Macroeconomics – The national economy in a global context

A

- **Availability of Credit** – This is how easy it is for people and businesses to borrow money. More credit = more spending and investing.
- **Accelerator** – When demand grows, businesses invest more in capital goods (like factories and machines). More demand = more investment.
- **Actual Output** – The real amount of stuff a country produces in a year.
- **Aggregate Demand (AD)** – Total spending in the economy on goods and services. Includes households, businesses, government, and exports.
- **Aggregate Supply (AS)** – Total goods and services an economy produces.

B

- **Balance of Payments** – Like a country's financial diary. It records everything traded or moved financially with the rest of the world.
- **Balance of Payments Equilibrium** – When the money going in and out of the country is pretty balanced over time.
- **Balance of Trade** – The difference between what we sell to other countries (exports) and what we buy from them (imports).
- **Balance of Trade Deficit** – When we're buying more from abroad than we're selling.
- **Balance of Trade in Goods** – Focuses only on physical products exported and imported.
- **Balance of Trade in Services** – Looks at services (like banking or tourism) that are exported or imported.
- **Balance of Trade Surplus** – When we're selling more abroad than we're buying.
- **Balanced Budget** – When the government spends exactly as much as it earns—no borrowing, no saving.
- **Bank of England** – The UK's central bank; it sets interest rates and manages money supply.
- **Budget Deficit** – When the government spends more than it collects in revenue.
- **Budget Surplus** – When the government earns more than it spends.

C

- **Claimant Count** – A way to measure unemployment by counting how many people are claiming benefits like Jobseeker's Allowance.
- **Consumer Prices Index (CPI)** – The official way to track inflation using a "basket" of everyday items.
- **Credit Crunch** – When borrowing becomes really hard because lenders aren't giving out loans.
- **Closed Economy** – A country that doesn't trade with the outside world. Pretty rare these days!
- **Current Account** – A part of the balance of payments that tracks trade in goods/services, income, and transfers.

- **Current Account Deficit** – When more money is leaving than coming into the country via trade and transfers.
- **Cyclical Unemployment** – Job losses because of a downturn in the economy.
- **Central Bank** – A national institution (like the Bank of England) that controls money and interest rates.
- **Contractionary Fiscal Policy** – When the government cuts spending or raises taxes to reduce demand.
- **Contractionary Monetary Policy** – When the central bank raises interest rates to cool down the economy.
- **Crowding Out** – When government spending pushes out private investment because borrowing gets expensive.
- **Cyclical Budget Deficit** – A temporary deficit caused by the ups and downs of the economic cycle.

D

- **Deflation** – When the average price level is falling. A bit scary for the economy.
- **Demand-Pull Inflation** – Prices go up because too many people want too few goods.
- **Disinflation** – Prices are still rising, but more slowly than before.
- **Deficit Financing** – Borrowing money to pay for government overspending.
- **Deindustrialisation** – A decline in the manufacturing sector.
- **Deregulation** – Removing rules to make markets more flexible.
- **Direct Tax** – Taxes paid straight from your income or wealth (like income tax).

E

- **Economic Shock** – A big surprise that hits the economy—could be good or bad and affects supply or demand.
- **Exchange Rate** – The value of your country's money compared to another country's. Think of it as the price tag on currency.
- **Exports** – Goods and services made here but sold to people in other countries.
- **Economic Cycle** – The ups and downs in the economy over time (think boom, bust, recovery, repeat).
- **Economic Performance** – How well the economy is doing at reaching its goals (growth, low inflation, jobs, etc.).
- **Economic Recovery** – When the economy starts bouncing back after a recession.
- **Export-Led Growth** – Growth powered by selling more stuff to other countries.
- **Equation of Exchange (MV = PQ)** – A formula linking money supply (M), how often it's spent (V), price level (P), and output (Q).
- **Expansionary Fiscal Policy** – When the government spends more or cuts taxes to boost demand.
- **Expansionary Monetary Policy** – Lower interest rates or more money in the economy to increase demand.

F

- **Full Employment** – When pretty much everyone who wants a job and can work, has a job.
- **Frictional Unemployment** – People between jobs, just taking a break or looking for the right fit.
- **Fiscal Policy** – Using taxes and spending to influence the economy.

G

- **Gross Domestic Product (GDP)** – The value of everything made in a country over a certain time period.

I

- **Imports** – Goods and services bought from other countries and brought into your own.
- **Index Numbers** – Numbers that help compare changes over time, starting from a base year (usually set as 100).
- **Inflation Rate Target** – The ideal level of inflation, usually 2%, that the government aims to hit.
- **Injection** – Extra money entering the economy, like investment, government spending, or money from exports.
- **Import-Cost Inflation** – Prices rise because imported goods or resources become more expensive.
- **Inflation** – A general and ongoing rise in prices.
- **Involuntary Unemployment** – People want to work, but there aren't enough jobs.
- **Indirect Tax** – Taxes on spending, like VAT or duties on cigarettes.
- **Interventionist Policies** – When the government steps in to fix or guide the market.

K

- **Keynesian Economists** – Economists who think governments should help manage the economy, especially during tough times.

L

- **Labour Force Survey** – A regular survey asking people about their job status—used to measure unemployment and employment.
- **Liquidity** – How fast and easily something can be turned into cash. Cold hard cash is the king of liquidity.
- **Long Run Aggregate Supply (LRAS)** – The total output an economy can make when it's working at full steam—maximum productivity.
- **Long Run Economic Growth** – Growth over time due to better productivity and capacity.
- **Long Run Phillips Curve** – Shows the relationship between inflation and unemployment in the long term.

M

- **Macroeconomics** – The branch of economics that looks at the whole economy: jobs, inflation, growth, and more.
- **Marginal Propensity to Consume (MPC)** – How likely people are to spend extra income rather than save it.
- **Monetarists** – Economists who believe too much money in the economy is the main cause of inflation.
- **Multiplier** – The idea that one person's spending becomes someone else's income. A small boost in demand can lead to a big increase in national income.
- **Marketisation** – Moving services from public control to private business.
- **Monetary Policy** – Controlling interest rates and money supply to meet goals like low inflation.
- **Monetary Policy Committee (MPC)** – A team of 9 economists who decide UK interest rates each month.
- **Money Supply** – The total money available in the economy.

N

- **National Wealth** – The total stock of all valuable stuff in a country, like houses, factories, and machinery.
- **National Capital Stock** – The total value of a country's tools, buildings, and machines used to make goods.
- **National Income** – The money earned by everyone in the country from producing goods and services.
- **National Output / Product** – Just other ways to say national income. All mean the same thing.
- **Nominal GDP** – GDP calculated using current prices, without adjusting for inflation.
- **Negative Output Gap** – The economy is underperforming.
- **National Debt** – The total amount the government owes from past borrowing.
- **Natural Rate of Unemployment (NRU)** – The unemployment rate when the job market is balanced—some unemployment still exists due to normal job changes.

O

- **Open Economy** – A country that trades with others (most countries today).
- **Output Gap** – The difference between what the economy is producing and what it could be producing.

P

- **Performance Indicator** – A clue or stat used to tell if a policy or part of the economy is doing well.
- **Policy Instrument** – Tools (like taxes or interest rates) the government uses to try to influence the economy.

- **Policy Objective** – The targets policymakers want to reach—like low inflation or full employment.
- **Price Index** – A number that shows how prices have changed over time compared to a base year.
- **Pro-Free Market Economists** – Economists who think the government should stay out of the economy as much as possible and let markets work on their own.
- **Phillips Curve** – A short-run trade-off between inflation and unemployment.
- **Policy Conflict** – When one economic goal clashes with another. For example, fixing inflation might hurt employment.
- **Positive Output Gap** – The economy is overheating—growing too fast.
- **Principle of Taxation (Canon of Taxation)** – Guidelines for what makes a fair and effective tax.
- **Privatisation** – Selling public services (like railways) to private companies.
- **Progressive Taxation** – Higher earners pay a larger percentage of their income in tax.
- **Proportional Taxation** – Everyone pays the same percentage of income, no matter how much they earn.

R

- **Retail Prices Index (RPI)** – An older way to measure inflation that includes some extra stuff like mortgage costs.
- **Real Wage** – What your wage can actually buy after considering inflation.
- **Real Wage Unemployment** – When wages are too high, it can lead to people being out of work because businesses can't afford to hire.
- **Rate of Interest** – What you earn when you save and what you pay when you borrow.
- **Reflationary Policies** – Boosting demand to raise output and reduce unemployment.
- **Regressive Taxation** – Lower earners pay a bigger chunk of their income in tax.
- **Reindustrialise** – Reviving the manufacturing sector.

S

- **Saving** – Money you earn but don't spend.
- **Short Run Aggregate Supply (SRAS)** – Output in the short term, when some resources (like factories) can't be changed, but existing ones can be used more or less.
- **Short Run Economic Growth** – Growth that happens when unused resources (like unemployed workers) are put to work.
- **Seasonal Fluctuation** – Economic ups and downs that happen regularly due to seasons.
- **Seasonal Unemployment** – Caused by seasonal work, like ski instructors in summer.
- **Structural Unemployment** – When whole industries decline and skills no longer match jobs.
- **Structural Budget Deficit** – A long-term deficit that isn't caused by the economic cycle but by government policy.
- **Supply-Side** – Refers to increasing the productive power of the economy.
- **Supply-Side Improvements** – Businesses becoming more efficient, usually without government help.
- **Supply-Side Policies** – Government actions to make markets work better and help the economy grow.

T

- **Trade Cycle (Business Cycle)** –to booms and recessions.
- **Technological Progress** – New tech that lets us make more stuff with the same resources. Think better machines or smarter processes.
- **Trend Growth Rate** – The steady, long-term rate the economy can grow at without causing too much inflation.
- **Transfers** – Money sent between countries without getting anything in return (like foreign aid).
- **Tax Threshold** – The income level at which people start paying income tax.

U

- **Underemployment** –.

V

- **Voluntary Unemployment** – When people choose not to work, even if jobs are available.

W

- **Wealth** – The total value of everything someone owns (like savings, houses, or stocks).
- **Withdrawal** – Money leaving the economy because of things like saving, taxes, or spending on imports.
- **Wage-Cost Inflation** – When workers get paid more, businesses charge more to cover it, raising prices overall.

3) A level Microeconomics – Individuals, firms, markets & market failure

A

- **Allocative Efficiency** – When resources are used in just the right way to produce what people want most—maximum happiness for everyone.
- **Allocative Price Function** – Prices help guide resources away from markets with too much supply to those with more demand. It's like GPS for the economy.
- **Altruism** – Doing something just to help others, even if it doesn't benefit you. Think donating money or helping a stranger.
- **Anchoring Bias** – When the first bit of information we hear sticks in our heads and affects all future decisions.
- **Asymmetric Information** – When one side (buyer or seller) knows more than the other in a transaction. Classic example: used cars.
- **Availability Bias** – We judge how likely something is to happen based on how easily we remember similar events. (Shark attack? Probably not. But the news says otherwise!)
- **Automation** – Machines running machines! Production gets more efficient with less need for human hands.
- **Average Cost** – The cost per item: total production cost ÷ number of goods made.
- **Average Revenue** – How much money you make per item sold: total revenue ÷ quantity sold.
- **Anti-Competitive Behaviour** – Sneaky business tactics meant to keep out the competition.
- **Artificial Barrier to Entry** – Man-made rules or actions that stop new businesses from joining a market (e.g. patents, pricing tricks).
- **Absolute Poverty** – When someone doesn't earn enough to cover basic needs like food, water, shelter, or clothing. It's survival-level hardship.
- **Ad Valorem Taxes** – A fancy way of saying "percentage-based tax." The more something costs, the more tax you pay.
- **Asymmetric Information** – When one person knows more than the other in a transaction. Think doctor vs. patient.

B

- **Behavioural Economics** – A cool part of economics that mixes in psychology to explain why humans often don't act in perfectly logical ways.
- **Bounded Rationality** – We try to make good decisions, but we're limited by lack of info, time, or brainpower.
- **Bounded Self-Control** – Even when we know what's best, we don't always do it (like binge-watching instead of sleeping early).
- **Break Even** – When a business earns just enough to cover its costs (a.k.a. normal profit).
- **Bilateral Monopoly** – A market where there's just one seller and one buyer. It's like a business deal between two people stuck on a desert island—no one else to turn to!

C

- **Capital / Producer Goods** – Tools, machines, and equipment used to make other goods (not for direct use).
- **Ceteris Paribus** – A fancy Latin term meaning "all other things being equal." Economists love using this to isolate one variable.
- **Choice** – Life is full of choices, especially in economics. Since resources are limited, picking one thing usually means giving up something else.
- **Consumer Good** – Products like food or clothes that individuals and households use to satisfy their everyday wants.
- **Choice Architecture** – The way choices are presented can change what we pick. For example, placing fruit at eye level in a shop makes us more likely to choose it.
- **Competing Supply** – When the same resources can be used to make either Product A or Product B, but not both. Think: using wheat for bread or beer.
- **Competitive Markets** – A marketplace full of buyers and sellers, where it's easy to join or leave. No one dominates.
- **Complementary Goods** – Items that go together, like burgers and buns. If you buy one, you usually want the other.
- **Composite Demand** – When one product is used for many things. For example, milk is used for drinking, cooking, and making cheese.
- **Condition of Demand** – Factors other than price that affect how much people want a product (like trends or income).
- **Condition of Supply** – Factors (not price) that affect how much businesses are willing to sell (like tech or weather).
- **Customer Sovereignty** – When consumers, through what they buy, decide what gets produced. Basically, your spending shapes the market.
- **Cross Elasticity of Demand (XED)** – Measures how demand for one product changes when the price of a different product changes (e.g. Pepsi vs. Coke).
- **Capital Productivity** – Output produced per machine or piece of capital used.
- **Constant Returns to Scale** – When doubling your inputs (like workers and machines) doubles your output.
- **Cartel** – A secret (and illegal!) group of businesses that agree not to compete—think price fixing.
- **Collective Bargaining** – Workers in a union team up to negotiate better pay or conditions.
- **Collusion** – When businesses illegally work together instead of competing fairly.
- **Concentrated Market** – A market with only a few dominant firms (or just one!).
- **Concentration Ratio** – A measure showing how much of the market is controlled by the top firms.
- **Consumer Surplus** – The "win" for buyers when they pay less than what they were willing to pay.
- **Contestability** – How easy it is for new competitors to jump into a market.
- **CMA (Competition and Markets Authority)** – A UK watchdog that fights unfair business practices.
- **Competition Policy** – Rules to stop big companies from getting too powerful and overcharging us.
- **Complete Market Failure** – When there's no market at all for something we need. Like if no one offers flood insurance.
- **Consumption Externality** – When your consumption affects others (good or bad). E.g. second-hand smoke.

D

- **Decreasing Returns to Scale** –as expected.
- **Demand** – How much of a product people want and can afford at a certain price.
- **Derived Demand** – When the demand for something is based on demand for something else. Like demand for bricks comes from demand for houses.
- **Disequilibrium** – When there's too much or too little of something in a market (not enough balance between supply and demand).
- **Decreasing Returns to Scale** – When increasing inputs results in a less-than-proportional increase in output.
- **Diseconomies of Scale** – When a company grows too large and costs start rising. Think inefficiency, miscommunication, etc.
- **Division of Labour** – Splitting production into tasks so workers can specialise and be more efficient.
- **Deadweight Loss** – Lost value to society when markets aren't efficient.
- **Demerger** – When a business splits up into smaller parts.
- **Divorce of Ownership and Control** – When business owners and the managers running things aren't the same people.
- **Duopoly** – A market ruled by two major firms.
- **Duopsony** – A market where there are only two big buyers.
- **Dynamic Efficiency** – Long-term efficiency from innovation and investment.
- **Distribution of Income and Wealth** – How the total money (income) and assets (wealth) in a country are spread among its people. Spoiler: it's not usually even.
- **Demerit Good** – A product that's overconsumed because people ignore the harm (like junk food or cigarettes).
- **Department for Business, Innovation and Skills (BIS)** – Supports UK business performance and innovation.
- **Deregulate** – Removing rules to make markets more flexible.

E

- **Economic Welfare** – How well people are doing financially and how happy they feel about it.
- **Enterprise** – The skill of combining land, labour, and capital to create goods and services. Entrepreneurs take risks and drive innovation.
- **Economic Man (Homo Economicus)** – A totally rational, selfish decision-maker—basically a robot. Not very realistic.
- **Effective Demand** – Wanting something *and* having the money to buy it.
- **Elasticity** – How much one thing changes when another thing changes. Like how much demand changes when price changes.
- **Equilibrium** – When supply and demand are perfectly balanced. No extra stock, no shortages.
- **Equilibrium Price** – The price where the amount people want to buy equals the amount businesses want to sell.
- **Excess Demand** – Too many buyers, not enough goods. Prices usually rise.

- **Excess Supply** – Too many goods, not enough buyers. Prices usually drop.
- **Exchange** – Trading things, often using money to make it easier.
- **Economies of Scope** – It's cheaper to make a variety of products together than separately (e.g. shampoo & conditioner).
- **Economies of Scale** – Bigger production = lower average cost. Bulk buying, better machinery — you get the idea.
- **External Economies of Scale** – Cost savings thanks to industry growth (e.g. a new tech hub with shared services).
- **Entry Barrier** – Anything that makes it hard to start a business in a market.
- **Exit Barrier** – Anything that makes it hard to leave a market.
- **Earnings Trap –** When earning more money actually means you lose benefits or support, leaving you worse off. Talk about frustrating!
- **Equity –** Fairness in how resources or opportunities are shared. What's "fair" can vary; it's based on opinions and values.
- **Economic Welfare –** How well people are doing in terms of their quality of life.
- **EU Directives/Regulations –** Rules EU countries must follow.
- **Externality –** Side-effects from a transaction that hit third parties (e.g. pollution or herd immunity).

F

- **Factors of Production** – The building blocks of any economy: land, labour, capital, and enterprise.
- **Finite Resource** – Resources that will eventually run out, like oil or coal.
- **Fundamental Economic Problem** – There are endless wants but only limited resources. Economics is all about figuring out how to make the best use of what we have.
- **Fixed Cost** – Costs that don't change no matter how much you produce (like rent).
- **Fiscal Drag** – When rising wages push people into higher tax brackets, even if their real income hasn't improved. It's like a sneaky tax creep.
- **Free Rider Problem** – When people enjoy a good without paying for it (like fireworks shows).

G

- **Game Theory** – The study of strategy in situations where your outcome depends on what others do too.
- **Gini Coefficient –** A number between 0 and 1 used to measure inequality. 0 = perfect equality, 1 = total inequality.
- **Geographical Immobility of Labour** – When people can't move to find work (maybe because housing is too expensive).
- **Government Failure** – When the government tries to fix a problem and ends up making it worse.
- **Government Intervention** – When the government steps in to fix issues the free market can't handle.

H

- **Heuristics** – Mental shortcuts or "rules of thumb" that help us make quick decisions without thinking too hard.
- **Hyperbolic Discounting** – We prefer small rewards now over bigger ones later. (Like choosing £5 now instead of £10 next week.)
- **Hit and Run** – When a firm quickly enters a market, grabs profits, and bounces before competition catches up.
- **Human Capital** – The value of your skills, training, education, and experience. The more you know, the more you're worth to employers.
- **Horizontal Equity** – The idea that people in similar situations should be treated the same. If two people earn the same, they should pay the same tax.
- **Hysteresis** – When the effects of something (like unemployment) stick around long after the cause has gone away.

I

- **Imperfect Information** – When people don't have all the facts they need to make a smart decision.
- **Incentive Price Function** – Prices act as motivators. If prices go up, suppliers are encouraged to produce more.
- **Infrastructure** – The physical stuff an economy needs to run smoothly: roads, bridges, power lines, etc.
- **Income Elasticity of Demand (YED)** – Measures how demand changes when people's income changes.
- **Inferior Good** – A product people buy more of when they earn less (like instant noodles).
- **Increasing Returns to Scale** – When your output grows more than your input. More bang for your buck!
- **Internal Economies of Scale** – Cost savings because the firm itself is growing (not just the industry).
- **Imperfect Competition** – Real-world markets that lie between perfect competition and monopoly.
- **Innovation** – Improving an existing product or process.
- **Interdependence** – In some markets, firms closely watch and respond to each other's moves.
- **Invention** – Creating something completely new.
- **Inequity** – The opposite of fairness—unjust treatment or outcomes. Again, it depends on personal values and what's seen as "right."
- **Immobility of Factors of Production** – When resources like labour or land can't move where they're needed.
- **Immobility of Labour** – When workers can't switch jobs or locations easily (due to skills or cost).
- **Imperfect Information** – When people don't have all the facts to make a smart economic choice.
- **Incentive** – Something that motivates a person to act (like profit or tax breaks).
- **Income Inequality** – The gap between high and low earners.

J

- **Joint Supply** – When making one product also creates another. For example, raising cows gives both beef and leather.

K

- **Kinked Demand Curve** – A theory in oligopoly that shows how businesses might face different price responses depending on whether they raise or lower prices.
- **Kuznets Hypothesis –** A theory that says as economies grow, inequality gets worse before it gets better. Think of it like an upside-down U curve.

L

- **Labour** – The human effort (both mental and physical) used to produce goods and services.
- **Land** – Natural resources, plus physical space used in production.
- **Labour Productivity** – Output per worker. More output = more productive.
- **Law of Diminishing Returns** – Add more workers to a fixed space or tool, and eventually, each one adds less output.
- **Long Run** – The time period where all production inputs can be changed.
- **Long-Run Average Cost** – The average cost per unit when everything's flexible and operating at full scale.
- **Long-Run Production** – Adjusting all resources (labour, machines, etc.) to change production levels.
- **Limit Pricing** – Keeping prices low enough to scare off new competitors.
- **Labour Exploitation** – When workers aren't treated fairly or paid what they deserve. It's when the boss wins at the worker's expense.
- **Lorenz Curve** – A graph used to show how evenly (or unevenly) income or wealth is distributed. The further it curves away from the diagonal, the worse the inequality.

M

- **Mechanisation** – Replacing people with machines. More capital-intensive.
- **Minimum Efficient Scale (MES)** – The lowest output level where a firm gets all the cost benefits from scaling up.
- **Market Share Maximisation** – When a firm focuses on grabbing more of the market—even if it sacrifices profit.
- **Market Structure** – The setup or layout of a market (e.g. number of firms, type of product, entry barriers).
- **Merger** – When two or more firms combine to become one.
- **Monopoly** – A market with one seller calling the shots.
- **Monopoly Power** – The ability to set prices instead of just accepting them.
- **Monopsony** – A market with one dominant buyer.
- **Marginal Physical Product (MPP)** – The extra output a business gets when it hires one more worker.

- **Marginal Productivity Theory** – This theory says companies hire workers based on how much money they help bring in (aka their productivity).
- **Marginal Revenue Productivity (MRP)** – The extra revenue a business earns by hiring one more worker. If you bring in more than you cost, you're in!
- **Monopsony Power** – When a single employer has all the hiring power in a market, they can set wages lower than if there were more competition.
- **Means-Tested Benefits** – Government support only available if your income or assets are below a certain level. It's targeted help for those who really need it.
- **Market Distortions –** When something (like subsidies or taxes) messes with the natural flow of supply and demand.
- **Market Economy –** An economy driven by supply and demand, not the government.
- Market Failure – When the market gets it wrong, like overproducing pollution or underproducing education.
- **Merit Good –** A product people underconsume, even though it's good for them (like education or vaccines).
- **Misallocation of Resources –** Using resources in the wrong way so we don't get the most benefit.

N

- **Need** – Something you must have to survive, like water, food, and shelter.
- **Normative Statement** – An opinion-based statement that can't be proved or disproved. For example, "We should tax the rich more."
- **Normal Good** – A product people buy more of as their income increases.
- **Normal Profit** – When total revenue equals total cost. It's the break-even point.
- **Natural Barrier to Entry** – Built-in obstacles like massive startup costs or expertise needed.
- **Natural Monopoly** – When it's most efficient to have just one supplier (e.g. water supply).
- **National Minimum Wage (NMW) –** The lowest hourly wage employers can legally pay, and yes, it depends on your age.
- **Negative Discrimination –** When an employer unfairly underestimates a worker's value based on bias, not ability.
- Nationalise – When the government takes over a private company or industry.
- Negative Externality – A harmful side effect, like pollution, that affects others.
- Non-Excludable – You can't stop anyone from using the good, even if they don't pay.
- Non-Rival – One person using it doesn't stop others from enjoying it (like a lighthouse).

O

- **Opportunity Cost** – The value of what you gave up when you made a choice. It's the road not taken.
- **Operating Costs** – Same as variable costs (like wages, materials, etc.).
- **Overheads** – Another word for fixed costs (like insurance or admin expenses).
- **Oligopoly** – A market dominated by a few big players.
- **Occupational Immobility of Labour** – When workers can't switch careers due to lack of skills or training.
- **Outsourcing** – When public services are delivered by private companies (e.g. private firms running NHS services).

P

- **Pareto Efficiency** – A situation where you can't make someone better off without making someone else worse off. It's as balanced as it gets.
- **Positive Statement** – A factual statement that can be tested and proved right or wrong.
- **Production Possibility Frontier (PPF)** – A curve that shows all the different combinations of two goods a country can produce with its limited resources.
- **Perfect Information** – When buyers and sellers know everything, they need to make the best decisions. Rare in real life.
- **Price Elasticity of Supply** – Measures how supply changes when the price of a product changes.
- **Producer Sovereignty** – When businesses decide what to make and set prices based on their own goals.
- **Production** – Turning inputs (labour, capital, raw materials) into finished goods.
- **Productive Efficiency** – Making stuff at the lowest possible cost per unit.
- **Productivity** – Output per unit of input—measuring how efficient production is.
- **Profit** – What's left after subtracting total costs from total revenue.
- **Patent** – A legal right to be the only producer of a product for a certain time.
- **Predatory Pricing** – Slashing prices below cost to force rivals out, then raising prices later.
- **Price Competition** – Undercutting your competitors to win over customers.
- **Price Discrimination** – Charging different people different prices for the same product.
- **Price Leadership** – When the top firm sets the price, and others follow.
- **Price Maker** – A firm that can set its own prices (like a monopoly).
- **Price Taker** – A firm that must accept the market price.
- **Price War** – When companies keep cutting prices to beat each other and win customers.
- **Principal-Agent Problem** – When managers (agents) make decisions that aren't in the owners' (principals') best interest.
- **Producer Surplus** – The "win" for sellers when they sell at a higher price than the minimum they'd accept.
- **Product Differentiation** – Making your product stand out (real or perceived differences).
- **Profit Maximisation** – When a firm earns the most possible profit (where total revenue minus total cost is biggest).
- **Pure Monopoly** – Only one firm exists in the market.
- **Positive Discrimination** – When an employer overestimates someone's value, often trying to balance historic unfairness.
- **Poverty Trap** – When trying to earn more money results in losing benefits, making people feel stuck. You earn more, but you end up with less.
- **Partial Market Failure** – When a market exists, but it's not working well (e.g. overpriced or under-produced goods).
- **Penalties** – Fines or punishments to stop harmful business behavior.
- **Positive Externality** – A good side effect that benefits others, like planting trees.
- **Price Ceiling** – A legal max price. Sellers can't go above this (e.g. rent control).
- **Price Controls** – Government-set price limits (either minimum or maximum).
- **Price Floor** – A legal minimum price (e.g. minimum wage).
- **Price Mechanism** – How supply and demand decide prices in a market.
- **Private Benefit/Cost** – The direct impact on the buyer or seller.
- **Private Good** – A product that you can be excluded from and one person using it reduces availability to others (like a sandwich).

- **Privatise** – When a public service is handed over to private businesses.
- **Production Externality** – Side effects from making stuff that affect others.
- **Productivity Gap** – The difference in output between UK workers and those in other countries.
- **Property Right** – Legal right to use, own, or sell something.
- **Public Good** – A good that's both non-excludable and non-rival (like street lighting).
- **Public Sector** – Services and jobs run by the government.

Q

- **Quasi-Public Good –** A good that's kind of public and kind of private (like a toll road or TV broadcast).

R

- **Rationing Price Function** – When prices rise to reduce demand. Basically, higher prices mean fewer people can buy it.
- **Renewable Resource** – Resources like solar energy or trees that can be replenished naturally.
- **Risk Aversion** – We fear losing more than we enjoy winning. Losing £10 feels worse than gaining £10 feels good.
- **Rate of Return** – How much you earn from an investment, usually as a percentage.
- **Returns to Scale** – How output changes when all inputs are scaled up.
- **Rationing –** Limiting access to goods—usually when demand is too high.
- **Regulation –** Government rules to control or guide economic activity.
- **Regulatory Capture –** When regulators start siding with the businesses they're supposed to watch over.
- **Resource Misallocation –** Using resources inefficiently, reducing overall economic wellbeing.

S

- **Scarcity** – We don't have enough resources to satisfy everyone's wants. This is the heart of economics.
- **Signalling Price Function** – Prices send signals. A high price tells producers to make more and buyers to reconsider their purchase.
- **Symmetric Information** – When both sides in a deal have equal knowledge. Makes for fairer, smarter decisions.
- **Substitute Good** – A product that can replace another one. Like choosing tea instead of coffee.
- **Supply** – How much of something producers are willing and able to sell at a certain price.
- **Short Run** – The time period where at least one resource (like machinery) is fixed.
- **Specialisation** – Focusing on one task to get really good and efficient at it.
- **Sunk Cost** – Money already spent that can't be recovered. Let it go!
- **Supernormal Profit** – Profit above and beyond what's needed to stay in business (also called abnormal profit).
- **Sales Maximisation** – When a firm aims to sell as much as possible, not necessarily for the most profit.

- **Satisficing** – When a firm earns just enough profit to satisfy its owners but doesn't aim for maximum gains.
- **Shareholder** – Someone who owns shares in a company and cares mostly about profits or anyone affected by a business—not just financially (e.g. employees, community).
- **Static Efficiency** – Short-term efficiency at a specific point in time.
- **Signalling –** Price changes signal what to produce and consume more or less of.
- **Social Benefits/Costs –** The full impact of an action, including private and external effects.
- **Specific Taxes –** Fixed amount charged per unit (e.g. 50p tax per cigarette pack).
- **State Provision –** When the government directly provides a good or service.
- **Subsidy –** Government money to support production or consumption of certain goods.

T

- **Trade** – Swapping goods and services, often across borders. It's how countries get what they need and want.
- **Technical Economy of Scale** – Saving money by improving production techniques or using advanced tech.
- **Total Cost** – Fixed costs + variable costs = everything you spend.
- **Total Revenue** – Price per unit × number of units sold = all the money coming in.
- **Takeover** – When one firm buys another and takes control.
- **Trade Union** – A group that sticks up for workers, negotiates better pay and working conditions, and generally makes noise when things aren't fair.
- **Trade Union Wage Gap** – The pay difference between workers in a union and those who aren't—basically a way to measure union muscle.
- **Tax** – A required payment to the government to discourage certain activities or fund services.

U

- **Utility** – The satisfaction or happiness we get from buying or using something. Like the joy from eating pizza 🍕.
- **Utility Maximisation** – Trying to get the most happiness or value out of your resources (money, time, effort).
- **Unintended Consequences** – Surprise outcomes from actions or policies that weren't planned.

V

- **Value Judgements** – Opinions dressed up as statements. They reflect personal beliefs rather than facts.
- **Variable Cost** – Costs that change depending on how much you produce (e.g. raw materials).
- **Vertical Equity** – The idea that people in different circumstances (like income levels) should be treated differently—but fairly. Higher earners might pay more tax, for example.
- **Vouchers** – Discounts or coupons often provided by the government to help people access services (like childcare or schooling).

W

- **Want** – Things that are nice to have but not necessary for survival (like chocolate cake 🍰).
- **Wage Differentials** – The differences in pay across workers, industries, or even people doing the same job. Influenced by skill, experience, and sometimes discrimination.
- **Wage Discrimination** – Paying someone less just because of their gender, race, religion, disability, or another protected characteristic—not cool, and it's illegal too!

X

- **X-Inefficiency** – When a business doesn't try hard to control costs—maybe due to lack of competition.

4) A level Macroeconomics – The national and international economy

A

- **Availability of Credit –** How easy it is for people and businesses to borrow money. More credit means more spending and investment.
- **Accelerator** – When demand goes up, businesses invest more in capital goods (like factories and machines). Higher demand = more investment.
- **Actual Output** – The real amount of goods and services produced in the economy in a year.
- **Aggregate Demand (AD)** – Total spending planned on a country's goods and services. Includes households, businesses, government, and exports.
- **Aggregate Supply (AS)** – The total output of goods and services the economy can supply.
- **Autonomous Consumption** – The basic level of spending that happens even if people have zero income because we still need food, shelter, etc.
- **Activity Rate / Participation Rate** – This shows how many working-age people are actually working or looking for work. Basically, how many people are in the game?
- **Automatic Stabilisers** – These are built-in tools (like taxes and welfare benefits) that naturally adjust when the economy changes. They help smooth out the ups and downs without new laws.
- **Absolute Advantage** – When a country can produce more of something using the same resources. Basically, they're the most productive at it.
- **Aid** – One country giving help (like money, goods, or expertise) to another. Think of it as economic support.

B

- **Balance of Payments** – A record of all the money moving in and out of a country.
- **Base Year** – The starting point when comparing data over time. It's usually given the value of 100.
- **Black Market (a.k.a. Shadow/Informal Market)** – Economic activities that are hidden from the government—like unreported cash jobs or selling goods illegally.

- **Boom/Bust Policy** – When governments alternate between policies that boost the economy and ones that slow it down. Often causes instability.
- **Balance of Payments** – A big account book showing everything a country trades or earns financially with the rest of the world.
- **Balance of Payments Equilibrium** – When what we send out and bring in (money-wise) is fairly balanced over a few years.
- **Balanced Budget** – When the government spends exactly what it earns. No borrowing, no extra cash.
- **Budget Deficit** – When the government spends more than it earns. (Hello, borrowing!)
- **Budget Surplus** – When the government earns more than it spends. (Savings mode ON.)
- **Balance of Trade** – The difference between what we export (sell) and import (buy).
- **Balance of Trade Deficit** – When we import more than we export—money flows out.
- **Balance of Trade in Goods** – Looks only at physical products traded.
- **Balance of Trade in Services** – Looks at non-physical stuff like banking, tourism, or IT support.
- **Balance of Trade Surplus** – When we export more than we import—money flows in.
- **Bank of England** – The UK's central bank. It sets interest rates and controls monetary policy.
- **Bond** – A form of borrowing; governments or companies sell these to raise money and promise to repay with interest.
- **Broad Money** – Includes all money held in banks, like savings accounts—not immediately spendable.
- Bilateral Aid – Direct aid from one country to another (like the UK giving money to Ghana).

C

- **Claimant Count –** A way of measuring unemployment by counting everyone who's claiming unemployment benefits (like Jobseeker's Allowance).
- **Consumer Prices Index (CPI) –** The official tool for measuring inflation. It tracks the price of a 'basket' of everyday items.
- **Credit Crunch –** When borrowing becomes super difficult because lenders stop lending. Not fun for the economy.
- **Circular Flow of Income** – The constant movement of money: households get paid by firms and then spend that money on goods and services from firms.
- **Credit Crunch** – When banks stop lending and borrowing becomes super difficult and expensive.
- **Closed Economy –** A country that doesn't trade with others. No imports, no exports.
- **Cost-Push Inflation –** Prices go up because it costs more to make stuff (e.g. raw materials, wages).

- **Current Account Deficit –** When more money is going out of the country (via trade or income) than coming in.
- **Current Account of Balance of Payments –** Tracks the money flowing in and out from trade, wages, and transfers.
- **Cyclical Unemployment (a.k.a. Demand-Deficient) –** Unemployment caused by low overall demand in the economy.
- **Central Bank** – Oversees the banking system and carries out monetary policy.
- **Contractionary Monetary Policy** – Used to slow down the economy, often by raising interest rates.
- **Contractionary Fiscal Policy** – Aimed at cooling down the economy. Usually means cutting spending or raising taxes to reduce demand.
- **Corruption** – When officials use their power for personal gain instead of public good. A type of government failure.
- **Crowding Out** – When government spending pushes out private spending. Imagine the government hogging all the financial room.
- **Cyclical Budget Deficit** – The part of the deficit that changes depending on where the economy is in the cycle—higher in recessions, lower in booms.
- **Comparative Advantage** – When a country is better at making one product than another, compared to another country. It’s all about doing what you’re best at, even if you're not the absolute best.

D

- **Deflation –** When prices keep falling over time.
- **Demand-Pull Inflation –** When prices rise because too many people are trying to buy too few goods.
- **Disinflation –** Prices are still rising, but more slowly than before.
- **Default** – When a borrower can't repay their loan.
- **Dividend** – A portion of a company's profits shared with shareholders.
- **Debt Sustainability** – Can a government manage its debt without causing problems? If yes, it’s sustainable.
- **Deficit Financing** – Borrowing money to cover the gap when spending is higher than income.
- **Deindustrialisation** – The shrinking of a country’s manufacturing sector.
- **Demand-Side Policy** – Policies that focus on changing the total demand in the economy (like through tax cuts or spending boosts).
- **Deregulation** – Cutting the red tape! Removing rules to make markets more flexible.
- **Direct Tax** – Tax taken directly from income or wealth (like income tax).

- **Discretionary Fiscal Policy** – The government deciding to change taxes or spending to deal with something like a recession.
- **Dumping** – When countries sell goods abroad for cheaper than at home—sometimes even below production cost.
- **Debt Relief** – Cancelling or easing the debts a country owes. Helps struggling nations focus on growth instead of repayments.
- **Developed Countries** – Wealthier nations with high income per person (like the UK or Japan). They usually export manufactured goods.
- **Developing Countries** – Poorer nations with lower income per person. They often export raw materials or farm products.

E

- **Economic Cycle –** The natural ups and downs of an economy (booms, recessions, recoveries).
- **Economic Performance –** A report card for how well an economy is doing based on goals like growth, inflation, employment, etc.
- **Economic Recovery –** When the economy starts growing again after a slump or recession.
- **Export-Led Growth –** When economic growth is powered mainly by selling goods and services abroad.
- **Equation of Exchange (MV = PQ)** – Money supply × velocity = price level × output. It links money to economic activity.
- **Expansionary Monetary Policy** – A policy that boosts the economy, often by lowering interest rates or increasing money supply.
- **Expansionary Fiscal Policy** – Spending more or taxing less to boost demand in the economy.
- **Economic Development –** Not just about money, this looks at education, health, and quality of life too.
- **Economic Integration –** When countries team up economically; removing trade barriers and linking their markets more closely.
- **Emerging Countries –** Nations that aren't rich yet but are growing fast (like India or Brazil).

F

- **Full Employment –** When everyone who wants a job and is able to work can find one.
- **Full Employment Income** – The level of output when everyone who wants to work is working, and the economy's resources are fully used.
- **Funding for Lending Scheme (FLS)** – A scheme from the Bank of England where banks can borrow cheaply, as long as they lend it out to boost the economy.
- **Frictional Unemployment** – Short-term joblessness while people switch jobs.

- **Financial Sector** – Includes banks, insurance companies, and firms handling money.
- **Fiscal Austerity** – Tightening the belt—cutting spending or raising taxes to reduce deficits.
- **Fiscal Policy** – The use of government spending and taxation to steer the economy.
- **Fiscal Stimulus** – Boosting demand and output by changing taxes or government spending.
- **Foreign Direct Investment (FDI)** – When businesses from one country invest in another—like building a factory abroad.
- **Free Trade** – Trade without extra taxes or limits. Everyone just buys and sells freely.

G

- **Gross National Income (GNI) –** Total income earned by a country's people and businesses, including overseas income.
- **Gross National Product (GNP) –** Similar to GNI but focuses more on production by a country's citizens, wherever they are.
- **Gross Domestic Product (GDP)** – The total value of everything produced in a country in a year. It's a big deal for measuring economic health.
- **Globalisation** – The world becoming more connected—through trade, tech, travel, and communication.

H

- **Harrod-Domar Model –** A theory saying that savings and investment are key to economic growth.
- **Hot Money** – Fast-moving money that flows between countries chasing better interest rates.
- **Human Capital Flight (Brain Drain)** – When skilled workers leave a country to find better jobs elsewhere.
- **Hypothecation** – When tax money is saved and used for a specific thing—like fuel taxes going toward road maintenance.
- **Human Development Index (HDI) –** A score that shows how developed a country is based on life expectancy, education, and income.

I

- **Imports –** Goods and services made abroad that we buy here.
- **Index Numbers –** Help us compare economic data across time. Base year = 100, then we track changes from there.
- **Inflation Rate Target –** The goal inflation rate set by the government—usually 2% in the UK.
- **Injection** – Money being added into the economy from investment, government spending, or exports. It makes the economy grow.

- **Import-Cost Inflation** – When prices go up because imports (like oil) become more expensive.
- **Inflation** – A general and persistent increase in prices.
- **Investment** – Spending on capital goods (factories, tools, etc.) to boost production.
- **Involuntary Unemployment** – People want to work at the going wage rate, but there aren't any jobs.
- **Interest** – The cost of borrowing or the reward for saving.
- **Indirect Tax –** Tax on spending (like VAT). You pay it when you buy stuff.
- **Interventionist Policies –** When the government steps in directly to fix or run parts of the economy.

J

- **Job Seeker's Allowance (JSA) –** A benefit given to people actively looking for work.

K

- **Keynesian Economists –** Followers of John Maynard Keynes. They believe the government should actively help steer the economy, especially during recessions.

L

- **Labour Force Survey –** A regular survey asking households about their employment situation. Used to help measure unemployment.
- **Liquidity** – How easily something can be turned into cash. Cash = very liquid. A house = not so much.
- **Long Run Aggregate Supply (LRAS)** – The economy's full potential output if everything is used efficiently.
- **Long-Run Economic Growth** – An increase in a country's production capacity over time.
- **Long-Run Phillips Curve** – A vertical curve showing there's no long-term trade-off between inflation and unemployment.
- **Laffer Curve** – A graph that shows there's a sweet spot for tax rates—too low or too high, and the government collects less money.

M

- **Macroeconomics –** The study of the economy as a whole—jobs, inflation, trade, growth, and more.
- **Macroeconomic Stability –** When things like inflation, employment, and growth stay steady without wild ups and downs.

- **Marginal Propensity to Consume (MPC) –** The part of an income boost that people are likely to spend rather than save.
- **Monetarists** – Economists who think controlling the money supply is key to keeping inflation under control.
- **Multiplier** – The idea that one person's spending becomes another person's income—so a little extra demand can create a big economic boost.
- **Multiplier Ratio** – Shows how much national income increases compared to the initial increase in spending (injection).
- **Money Illusion** – When people mistake changes in money terms for changes in real value. (E.g., your salary goes up but so do prices.)
- **Monetary Policy** – Government control of interest rates and money supply to manage the economy.
- **Monetary Policy Committee (MPC)** – A team at the Bank of England that sets interest rates.
- **Money Supply** – Total money available in the economy.
- **Marketisation** – Moving services from government control into private markets.
- **Multi-national Corporation (MNC)** – A company that operates in more than one country (think McDonald's or Apple).

N

- **National Wealth –** The total value of all the valuable stuff a country owns (buildings, machinery, etc.).
- **National Capital Stock** – The total value of factories, machines, and tools in an economy.
- **National Income / Output / Product** – All the same thing! It's the total value of goods and services made in a country.
- **Nominal GDP** – GDP measured in current prices, without adjusting for inflation.
- **Negative Output Gap** – When the economy is producing less than its potential.
- **Net Investment Income** – The difference between income we earn from abroad and what foreigners earn here.
- **Net Inward Migration** – More people entering the country than leaving.
- **Net Outward Migration** – More people leaving the country than entering.
- **NAIRU (Non-Accelerating Inflation Rate of Unemployment)** – The unemployment level at which inflation stays steady.
- **Narrow Money** – The most liquid forms of money, like coins and notes.
- **National Debt** – The total amount of unpaid government borrowing over time.
- **Natural Rate of Unemployment (NRU)** – The unemployment rate when the job market is in balance—not too hot, not too cold.

O

- **Open Economy** – A country that trades internationally.
- **Output Gap** – The difference between actual economic output and what we could produce at full potential.

P

- **Per Capita –** A fancy way of saying "per person."
- **Performance Indicator –** A stat used to check how well a policy or the economy is doing.
- **Policy Instrument –** The tools (like tax or interest rates) governments use to hit their goals.
- **Policy Objective –** A target the government is aiming for (like low unemployment or stable inflation).
- **Price Index –** A number showing how prices have changed compared to the base year.
- **Purchasing Power Parity (PPP) –** Adjusts exchange rates to reflect what money can actually buy in different countries.
- **Pro-Free Market Economists** – Economists who believe the government should leave the economy alone and let markets sort things out.
- **Phillips Curve** – Shows the relationship between inflation and unemployment (usually a trade-off in the short run).
- **Policy Conflict** – When chasing one economic goal messes up another. Example: fixing inflation may increase unemployment.
- **Positive Output Gap** – When the economy is producing more than its normal capacity—can lead to inflation.
- **Principle of Taxation (Canon of Taxation)** – Guidelines for what makes a fair and efficient tax system.
- **Privatisation** – Selling off government-owned businesses to the private sector.
- **Progressive Taxation** – Tax where higher earners pay a bigger share of their income.
- **Proportional Taxation** – Everyone pays the same percentage of income, no matter how much they earn.
- **Protectionism** – When countries try to protect local jobs and businesses by limiting imports (e.g., with taxes or quotas).

Q

- **Quantitative Easing (QE) –** The central bank creates new money to buy assets and boost the economy.
- **Quota** – A cap on how much of a product can be imported. A trade limit, not a tax.

R

- **Real GDP –** GDP that does account for inflation. It shows the true increase in output.
- **Real Wage –** What your wage can actually buy after inflation is considered.
- **Real Wage Unemployment –** When wages are too high and employers can't afford to hire as many workers.
- **Red Tape –** Bureaucracy or unnecessary rules that make it harder for businesses to operate.
- **Recession** – A fall in real GDP for at least six months. Two negative quarters = official recession.
- **Rate of Interest** – The percentage charged on a loan or earned on savings.
- **Repo Rate** – The rate at which the central bank lends to commercial banks.
- **Reserve Currency** – A stable currency (like the US dollar) held by governments for global trade.
- **Reverse Repo Rate** – The rate at which the central bank borrows from commercial banks.
- **Reflationary Policies** – Used to give the economy a boost—usually means more government spending or tax cuts.
- **Regressive Taxation** – Lower earners pay a bigger share of their income. Not very fair.
- **Reindustrialise** – Encouraging growth in manufacturing again.

S

- **Saving –** Money you don't spend.
- **Short Run Aggregate Supply (SRAS) –** Output when some resources (like factory size) are fixed, but you can still use them more or less.
- **Short Run Economic Growth –** Using spare resources (like unemployed workers) to increase output.
- **Sovereign Wealth Fund –** A government-owned fund, usually built from natural resource profits, used to invest and save for the future.
- **Seasonal Fluctuation** – Changes in economic activity caused by seasons (e.g., more tourism in summer).
- **Seasonal Unemployment** – Job loss due to seasonal demand, like ski instructors in summer.
- **Speculation** – Making economic decisions based on guesses about the future.
- **Stagflation** – A rare combo: high inflation AND high unemployment.
- **Structural Unemployment** – Job loss caused by long-term shifts in the economy (like entire industries declining).
- **Shadow Banking System** – Financial firms that lend money like banks but aren't tightly regulated.
- **Share** – A slice of ownership in a company.

- **Systemic Risk** – The risk that failure of one bank could bring down the whole financial system.
- **Structural Budget Deficit** – The part of the deficit that stays regardless of how the economy is doing. Depends more on government decisions.
- **Supply-Side** – All about boosting the economy's ability to produce. Focuses on things like better skills, tech, and productivity.
- **Supply-Side Improvements** – When businesses themselves make changes to become more efficient—no government help needed.
- **Supply-Side Policies** – Government-led reforms to make markets work better and grow the economy.
- **Sustainability** – Meeting today's needs without wrecking the future. Think: using resources wisely.

T

- **Technological Progress –** Improvements in tech that help us make more with the same resources.
- **Trend Growth Rate –** The average long-term growth rate of the economy, without causing inflation.
- **Transfers –** Money sent between countries without any goods or services exchanged (e.g., foreign aid).
- **Transmission Mechanism of Monetary Policy** – How a change in interest rates affects borrowing, saving, and spending across the economy.
- **Tax Threshold** – The income level where you start paying tax.
- **Tariff** – A tax on imports to make them more expensive, so people buy local instead.
- **Trade Creation** – When trade grows between countries in a trade group, because it's cheaper and easier.
- **Trade Diversion** – When trade moves away from more efficient global suppliers to less efficient ones in a trade group (not always ideal).
- **Trade Liberalisation** – Getting rid of things like tariffs and quotas to make trading easier.
- **Trading Bloc** – A group of countries that agree to trade freely with each other (e.g. the EU).

U

- **Unemployment Rate** – The percentage of the labour force that's jobless and looking for work.

V

- **Voluntary Unemployment –** When people choose not to work, even though jobs are available.

W

- **Wealth –** The total value of everything you own (savings, property, stocks, etc.).
- **Weighting –** Giving more importance to some items in a calculation based on how often they're used. (E.g. bread counts more than caviar in inflation stats!)
- **Withdrawal** – Money leaving the economy from savings, taxes, or imports.
- **Wage-Cost Inflation** – Prices rise because wages go up, and businesses pass on the cost.
- **World Trade Organization (WTO)** – A global group that makes sure trade flows smoothly and helps countries settle disputes.

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