

Economics Introductory Vocabulary for A-Level and IGCSE

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| Scarcity | Where wants for a product (or factor of production) exceed amount available (where demand exceeds supply at a zero price) |
| Factor of Production (FoP) | A productive resource. There are four types: Land, Labour, Capital and Enterprise |
| Capital Goods | Man-made aids to production |
| Consumer Goods | Goods that are used by households |
| Enterprise/Entrepreneurship | The risk-taking role undertaken by owners of a business as they combine other factors of production in the pursuit of profit |
| Human Capital | The ability of workers to add value to production |
| Investment | Spending by firms on new capital stock or repair of existing stock (per period) |
| Specialisation | Where a factor of production is devoted to a specific job in the production process |
| Division of Labour | Where labour specialises in the performance of a particular part of the production process |
| Money | Whatever is generally acceptable in exchange for goods and services or labour |
| Mixed Economy | Where resource allocation is undertaken by state planning and market forces, depending on the product |
| Capitalist (Free Market) Economy | Where markets determine resource allocation with minimal state intervention |
| Command Economy | Where resources are allocated according to centralised state planning |
| Laissez Faire | Where government does not interfere with the functioning of markets |
| Demand | The quantity of a good consumers are willing and able to buy at a given price per period |
| Supply | The quantity of a good producers are willing and able to sell at a given price per period |
| Market | Institution where buyers are in contact with sellers to arrange sale of goods |
| Gross Domestic Product | The value of output produced by domestic based resources per year |
| Economic Growth | Rate of increase in national output per year |
| Real Growth | Growth of GDP after inflation has been accounted for (i.e. at constant prices) |
| Nominal Growth | Growth of GDP before inflation has been accounted for (i.e. at current prices) |
| Inflation | The rate of change in the average price level |
| Disinflation | Falling (but positive) inflation |
| Deflation | Situation of persistent negative inflation |
| Unemployment | The number of people of working age who are seeking work yet do not have a paid job |
| Income | Money earned over a period of time |
| Wealth | The value of an individual's assets at a point in time |
| Recession | Declining real GDP for two successive quarters (six months) |
| Boom | a period in which real national output grows relatively fast (say 5% +, for 2-3 years), but which brings about high inflation |
| Fiscal Policy | Manipulation of government spending and taxation to achieve macroeconomic goals |