SWGS KS5 vocabulary List: Economics

This list consolidates key vocabulary in the subject, making it easier for you to know, understand and use it accurately. Your teachers will use this vocabulary frequently, and you will encounter it in reading. You will be expected to learn meanings and spellings.

Theme 1: topic 1.1 Nature of economics

Ceteris paribus	The assumption that all other influencing factors are constant
Positive statements	Objective statements that can be tested.
Normative statements	Opinions that depend on value judgements.
Production possibility frontier	A boundary that shows the maximum combinations of two or more goods and services that can be produced using all available factors of production efficiently.
Specialisation and the division of labour	Specialisation is a method of production where a business focuses on the production of a limited range of products to gain greater production efficiency. Division of labour is the specialisation of labour in specific tasks.
Command economy	An economic system where most factor resources are allocated by the government.

Theme 1: topic 1.2 How markets work

Utility	The measure of satisfaction from purchasing or consuming a good.
Diminishing marginal utility	Marginal utility is the change in satisfaction from consuming an extra unit of a good or service. Beyond a certain point, marginal utility may start to fall (diminish). If marginal utility becomes negative, then consuming an extra unit will cause total utility to fall.

Price elasticity of demand	Price elasticity of demand measures the responsiveness or sensitivity of demand for a product following a change in its own price.
Price mechanism	The price mechanism refers to the interaction of supply and demand to allocate resources. It involves rationing, incentives and signalling.
Consumer surplus	Consumer surplus is the difference between the total amount that consumers are willing and able to pay for a good or service (indicated by the demand curve) and the total they pay (the market price)
Indirect tax	An indirect tax is imposed on producers (firms) by the government.
Habitual behaviour	Habitual behaviour occurs when people have strong default choices. Repeat choices / purchases often become automatic because default choices don’t involve much mental (cognitive) effort

Theme 1: topic 1.3 Market failure

Market failure	Market failure exists when the competitive outcome of markets is not efficient from the point of view of the economy as a whole
Externalities	Externalities are third party effects arising from production and consumption of goods and services for which no appropriate compensation is paid.
Public goods	Public goods are non-rival and non-excludable,
Asymmetric information	Where parties have unequal access to information in a market.

Theme 1: topic 1.4 Government intervention

Government intervention	Government policies designed to correct market failure
Government failure	Policies that cause a deeper market failure

Theme 2: topic 2.1 Measure of economic performance

Economic growth	The annual percentage increase in an economy's productive capacity OR an increase in real GDP
Inflation	An increase in the average price level OR a fall in the purchasing power of money
Unemployment	The percentage of the labour force who are willing and able to work but without a job.
Balance of payments	A record of all financial transactions between an economy and the rest of the world.

Theme 2: topic 2.2 Aggregate demand

Aggregate demand	Total amount of planed spending on goods and services at any price level in an economy during a given time period.
Consumption	The expenditure on consumer goods and services by households
Investment	Money spent by firms on purchasing capital goods/
Government expenditure	Spending by government on education, health care and defence & other public services.
Net trade	Difference between the total value of a country's exports and imports

Theme 2: topic 2.3 Aggregate supply

Aggregate supply	Total planned output of goods and services in an economy at a given time and price level.

Theme 2: topic 2.4 National income

National income	Total spending on goods and services

Injections	An injection is money flowing into the circular flow of income/economy
The multiplier	Where an initial injection into the economy leads to a greater overall increase in national income

Theme 2: topic 2.5 Economic growth

Output gap	The difference between the actual level of output and the potential level of output
Trade (business) cycle	A trade cycle refers to fluctuations in economic activities specially in employment, output and income, prices, profits etc.

Theme 2: topic 2.6 Macroeconomic objectives and policies

Macroeconomic objectives	The overall goals of the government
Demand-side policies	A demand-side policy is an economic policy focused on increasing or decreasing aggregate demand to influence unemployment, real output, and the price level in the economy.
Supply-side policies	Measures taken by the government that are designed to increase the productive capacity
Short-run Phillips curve	The Phillips Curve shows a trade-off between inflation and unemployment.