

## LC Macro-Economics – Key Definitions



### National Income

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The **income** attached to the **residents** of a country, from current **economic activity**, during a specific **period**

### Transfer Payments

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Payments for which **no factor of production** is provided

### Benefit-In-Kind

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Income received in **non-monetary form**

### Net Factor Income

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The **difference** between **income** earned by **foreigners** in Ireland & income earned by **Irish nationals** abroad

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## Circular Flow of Income

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Notes how earnings and spending flows between firms & households

## Closed Economy

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An economy where there are no imports or exports

## Open Economy

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An economy which takes part in global trade

## The Multiplier

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The relationship between an injection into the economy & the total increase in national income





## Paradox of Thrift

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An increase in savings by individuals can result in a fall in national savings

## Inflation

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The constant increase in the general level of prices

## Deflation

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A reduction in the general level of prices

## Demand Pull Inflation

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When demand is continuously greater than supply, causing prices to rise



## LC Macro-Economics – Key Definitions



### Cost Push Inflation

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Occurs when a continuous rise in production costs causes prices to rise

### Tariff

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**Tax** on **imports** of a particular **good**, making it **less attractive** to buy

### Quota

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A limit on the quantity of a good that can be imported

### Embargo

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A ban on the import of a particular good

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## LC Macro-Economics – Key Definitions



### Law of Comparative Advantage

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A country should specialise in the production of goods in which it is most efficient & trade for its other requirements

### Terms of Trade

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A country's ratio of its export prices to its import prices

### Balance of Trade

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Difference between visible exports & visible imports

### Balance of Invisible

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Difference between invisible exports & invisible imports

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## LC Macro-Economics – Key Definitions



Balance on  
Capital A/C

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Difference between  
capital exports &  
capital imports

Devaluation

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A deliberate  
**decrease** in the  
**value** of a **currency**

Current  
Budget

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A plan of **estimated**  
government income &  
**expenditure** for the  
**year**

Budget  
Deficit

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Current expenditure  
> current income

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## LC Macro-Economics – Key Definitions



**Budget  
Surplus**

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**Current income  
> current  
expenditure**

**Neutral  
Budget**

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**Current  
expenditure =  
current income**

**Fiscal Policy**

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**The use of government  
spending & tax to  
influence economic  
growth**

**National  
Debt**

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**The value of  
outstanding debt  
by the state**

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## LC Macro-Economics – Key Definitions



Exchequer  
Borrowing  
Requirement

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Government borrowing to fund a budget deficit & any borrowing for capital purposes

Public Sector  
Borrowing  
Requirement

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The exchequer borrowing requirement + borrowing for semi state firms

Canons of  
Taxation

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Equity, certainty, convenience & economy

Automatic  
Stabiliser

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Take more money out of the economy during booms & less out of the economy during recessions

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## LC Macro-Economics – Key Definitions



### Direct Tax

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Taxes on income, collected straight from the taxpayer. Can't be avoided

### Indirect Tax

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Taxes on spending, collected through intermediaries. Can be avoided

### Progressive Tax

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Tax that increases proportionally with a person's income

### Regressive Tax

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Takes a higher % of tax from low income taxpayers than from high income taxpayers

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**Tax  
Avoidance**

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**Legal methods of  
reducing tax**

**Tax Evasion**

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**Illegal methods  
of reducing tax**

**Black  
Economy**

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**All economic activity  
that goes unrecorded  
in the National Income  
figures**

**Imposition/  
Impact of Tax**

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**Refers to the person  
on whom the tax  
was initially charged**





## Incidence of Tax

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Refers to the person who ends up paying the tax

## Absolute Advantage

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When one country can make more of a good using fewer factors of production than another country

## Comparative Advantage

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When a country can make a good at a lower opportunity cost, than another country

## Privatisation

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The partial or whole selling of a state-owned asset to the private sector



## LC Macro-Economics – Key Definitions



### Exchange Rate

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The price of one currency expressed in terms of another currency

### Economic Development

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An increase in the GNP per person with a change in the structure of society

### Balanced Regional Development

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Occurs when disadvantaged areas are identified & policies created in favour of these regions

### Economic Growth

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An increase in the GNP per head without changes in the structure of society

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## LC Macro-Economics – Key Definitions



**Broaden the  
Tax Base**

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**Increasing the  
number of people  
in the tax net**

**Nationalisation**

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**Taking assets into  
public ownership  
by a government**

**Monetary  
Policy**

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**Actions by the ECB, which  
influence the money  
supply, interest rates & the  
availability of credit**

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