

Jargon busters

Accumulation The acquisition of assets through their continuing growth.

Allocative efficiency Allocating resources in the most efficient way possible, so that without more resources it would not be possible to make anyone better off.

Annuity A bond that pays a guaranteed income for a specified period of time, for example, for its owner's lifetime. Lifetime annuities are often taken out by retirees to convert their accumulated pension funds into incomes.

Arbitrage Making use of a divergence of prices in two markets, to buy an asset in one market and sell it in another market at a higher price. Such arbitrage tends to keep prices the same across different markets. Or selecting the most suitable choice from a range of possibilities. For example, for its head office, a bank or financial institution might select London over Frankfurt for its looser regulation, while a corporation might select Ireland over the UK for its more favourable tax regulations.

Asset Anything from which its owner can make money.

Austerity Reducing government spending and/or increasing taxes, usually in the hope of reducing the public deficit and debt (see **fiscal consolidation**).

Automatic stabilisers Taxes and social security benefit payments that stabilise the budget and day-to-day running of both the government and households across the economic cycle. During a boom, government tax income increases, while benefit

payments are lower, and during a recession this situation reverses. They are ‘automatic’ because they don’t require a change in legislation.

Autonomy Being able to make decisions without reference to others.

Balanced budget A government budget where income exactly balances spending, with neither a deficit nor a surplus.

Bank (commercial) A private sector bank that provides loans and other banking services to businesses and households. It may be part of a larger banking group.

Bank (investment) Originally, a bank that acts as an intermediary between investors and businesses that want either to raise funds by issuing shares or to sell the entire company. They also carry out other, higher-risk forms of investment. Although they technically don’t hold customer deposits, they may well be part of a banking organisation that does.

Bank (retail) Banks that most of us use for our day-to-day money management. But, except for one of the few remaining Mutual Societies, these are generally part of a bank that also provides commercial and investment services in other divisions.

Bank for International Settlements An international financial regulator, based in Switzerland, that designs international regulation. It is run by government appointees from the largest capitalist economies.

Behavioural effects Changes in the behaviour of people in response to other changes, for example, in policies. Thus a behavioural effect of a rise in tobacco tax may be a reduction in smoking.

Boom Also termed ‘expansion’ or ‘recovery’. The growth phase of the economic cycle – in other words, the opposite of a recession. It will involve strong GDP growth, however, as

opposed to a recovery, where almost any amount of growth will do (see also **expansion**).

Bubble A bubble is the inflation of an asset price, such as shares of stock or houses, way beyond their sustainable value. It occurs through people believing that the price will continue to rise. The inevitable result is that sooner or later there will be a sudden readjustment to a much lower price when confidence that the price will continue rising fails and the bubble bursts.

Budget deficit If a government spends more during its financial year than it receives in taxes, the difference is called the budget deficit – and the government will have to borrow (or issue) money to cover it.

Budget surplus If the government spends less than it receives in tax income and asset sales, it will have money left over – a surplus.

Business cycle Also termed ‘economic cycle’ – the sequence of recessions and expansions in the economy.

Capital A firm’s assets, including its fixed capital (machinery, buildings and so on), working capital (stocks of raw materials and half-finished products) and financial capital (money and other financial assets).

Capital account The part of the government’s budget for spending on investment, which is likely to pay for itself over the longer term through increased tax income or user fees.

Capital adequacy A requirement that a private bank retains a certain minimum level of capital, its capital reserves, in relation to its assets. Such a banking regulation hopes to ensure that banks have enough internal financial resources (including shareholders’ funds) to cope with unexpected drops in profitability.

Capital flight When investors (both foreign and domestic) abruptly withdraw their money from a country due to a sudden

perceived risk, which could be economic, financial or political. Capital flight can cause depreciation of the national currency, shortage of credit and a rapid tightening of credit conditions that can lead to further falls in investment.

Capitalism An economic and political system, based on class divisions, where most economic activity is carried out by private (for-profit) businesses employing wage labour.

Capital market liquidity A measure of the ability of the market to provide enough money to maintain existing businesses, fund new ones and to keep money flowing – hence ‘liquid’ capital. The 2007 ‘Credit Crunch’ – a shortage of credit – was the result of capital markets being ‘illiquid’ – basically frozen.

Central Bank A financial institution, usually controlled to some degree by the national government. ‘Independent’ central banks, like the Bank of England, can set short-term interest rates (theoretically, at least), without interference from politicians. The Bank of England lends to commercial banks and the government, and has, over the years, had varying degrees of responsibility for regulating private banks and other financial institutions.

Citizen’s wealth fund While sovereign wealth funds, hedge funds, private equity and mutual funds all operate for the benefit of particular groups of people, a citizens’ wealth fund is designed to benefit a country’s citizens generally. The fund may be invested to provide financial payments to citizens, but is more likely used to provide improved infrastructure.

Classical economics The tradition of economics that began with Adam Smith, and continued with other theorists, including the likes of David Ricardo, Thomas Malthus and Jean-Baptiste Say. The classical economists wrote during the early years of capitalism, and they uniformly celebrated the productive, innovative actions of the new class of industrial capitalists. They focused on the dynamic economic and political development of capitalism, analysed economics in class terms, and often advocated a labour theory of value.

Collective bargaining A trade union bargaining with employers on behalf of its members over wages and conditions of employment.

Consumer Price Index (CPI) Measures changes in the *price* level of a basket of *consumer* goods and services purchased by households.

Contraction Also termed ‘recession’ or ‘bust’, although these three terms typically indicate an economic downturn of varying proportions. A contraction might mean a sudden slowing in GDP growth, perhaps with a quarter of negative GDP growth. By contrast, a recession is officially defined as two or more successive quarters of negative GDP growth, while a bust is more severe and usually involves a financial crisis of some sort and a degree of panic.

Counter-cyclical policy Designed to smooth out fluctuations in the economic cycle. It usually involves spending more during a recession, to support employment by investing in infrastructure, for example, and spending less during a boom, partly to stop the economy overheating and partly to build up resources to help in the next recession. Spending less during the recession, but more during the boom – pro-cyclical policy – will make booms and busts bigger.

Credit crunch A period when banks – which usually lend to clients and each other freely (see **capital market liquidity**) – stop lending. This is usually due to a loss of confidence or even a panic, often the result of a financial crisis. It can also be caused by financial institutions becoming insolvent. But, either way, there is an abrupt drop in available credit, which, in turn, can have dire consequences for both investment and consumption – reducing GDP growth and, unless there is government intervention, resulting in economic and social damage.

Current account The part of the government’s budget for day-to-day spending and taxation, but not the spending that can be seen as an investment (**capital account**).

Debt (national, public) This is made up of all the annual budget deficits to date, including the interest on government borrowing and the cost of servicing them. If deficits continue and/or the cost of servicing existing debt rises, the national debt will also increase. However, a sustained budget surplus – usually the result of solid GDP growth (as opposed to austerity) – will reduce it.

Debt-to-GDP ratio The overall amount of debt a country has at any one moment, compared to the amount of its GDP.

Deficit When a government, business or household spends more in a given period of time than they receive in income and asset sales.

Deindustrialisation A shift in output and employment of a country or region away from manufacturing.

Demand The amount of a good or service that people are both willing and able to buy.

Demand-led macroeconomic policy Recognises that the amount that is produced in the economy depends on aggregate demand, the amount people, both consumers and investors, are willing to buy, and that increases in demand will generate increases in supply in response. Such policy is informed by Keynesian economics.

Depression No official definition, but an extreme version of a recession, which usually lasts years rather than quarters, and may well involve price deflation.

Derivative A financial asset whose value is ‘derived’ from bets on the value of other financial assets, which is why it can be highly unpredictable. Examples include the now notorious collateralised debt obligations (CDOs), whose difficulties of evaluation helped set off the 2008 financial crisis.

Direct tax See **tax (direct)**.

Economic growth An increase in GDP, adjusted for inflation, and so able to be compared over time and across countries.

Economies of scale Occur when the average cost of each unit produced falls the more is produced. This happens in industries where there are start-up costs and fixed assets, such as land and machinery, whose costs remain the same however much is produced.

Employment and Support Allowance (ESA) An income-replacement benefit for adults below state pension age who are having difficulty finding employment because of long-term medical conditions or a disability. ESA is currently being phased out and replaced with Universal Credit.

Equity The amount of an asset owned, after deducting any money borrowed to own it. Shares in firms are also known as equities.

Exchange rate The ‘price’ at which one country’s currency can be converted into that of another country. Although a currency is called ‘strong’ if its exchange rate is ‘high’, this is not necessarily good news, because, although a country with a strong currency can pay for imports more easily and its citizens have more spending money on holiday abroad, it also makes exports more expensive and therefore less competitive.

Expansion A period of sustained GDP growth. The upward phase of the economic cycle – in other words, the opposite of a contraction. Also termed ‘boom’ or ‘recovery’. A boom will involve strong GDP growth at the top of the cycle, while a recovery is any growth coming after a period of recession.

Expansionary fiscal contraction The idea that austerity – cutting government spending and/or raising taxes – can actually produce GDP growth in an economy mired in recession. Sadly, this is the economic equivalent of Big Foot: some economists claim to have seen it, but none have been able to prove it exists.

All the evidence shows that austerity in a recession will make things worse, not better.

Expansionary policy The opposite of austerity, increased government spending and/or reduced taxes, policies designed to promote employment, investment and GDP growth. For example, government investment in infrastructure, training and setting up special ‘enterprise zones’ would all be expansionary policies.

Finance-led growth model The idea that GDP growth can be promoted by developments in the financial sector, notably by reducing its transaction costs.

Financial sector Consists of firms that bring together those with money who want to invest with those who want to use funds to buy assets, and manages such transactions, also sometimes trading on their own behalf.

Fiscal balance The difference between a government’s revenues (taxes and proceeds from asset sales) and its expenditures, often expressed as a ratio of gross domestic product (GDP). If the balance is positive, the government spends less than it receives and has a budget surplus. If the balance is negative, the government spends more than it receives and has a budget deficit.

Fiscal consolidation The idea behind austerity, reducing government deficit and debt.

Financialisation A process encouraged by neoliberalism’s removal of tariff and capital flow barriers, where real production in the economy is accompanied – or even replaced – by rapidly growing financial activity, including speculation, lending, financial assets and securitisation and the appropriation of income in the form of rent. It has also brought a sharp increase in private debt levels, and in income inequalities. Its extent can be assessed by comparing the amount of purely financial assets in an economy to that of real capital assets.

Fiscal multiplier See **multiplier**.

Fiscal policy The means by which a government adjusts its spending levels and tax rates to monitor and influence a nation's economy.

Fiscal rules Fiscal rules impose constraints on fiscal policy through limits on how far government spending can deviate from its revenue.

Floors and ceilings Minimum (floor) and maximum (ceiling) amounts payable.

Foreign direct investment The acquisition or setting up of an operation overseas that includes fixed capital assets (such as buildings, machinery and equipment).

Free market economy/policies An economic system in which markets are allowed to operate with little or no government control. The belief that an economy functions best with least interference from government lay behind the free market policies of the Thatcher and Reagan governments of the 1980s.

FTSE Index A composite price index to show shifts in the value of UK-listed companies. These are not necessarily British companies; many are foreign, but quoted in London.

Full employment When everyone looking for work can quickly find a job, so unemployment is near zero.

Generic drug A drug that is effectively the same as a branded drug but sold for a much lower price (for example, paracetamol is the generic form of Panadol).

Gini coefficient A way to measure inequality, usually applied to household income – and comparing it across time and across economies. A Gini score of 0 implies complete equality, meaning that all households have the same income; a score of exactly 1,

on the other hand, suggests complete inequality, meaning that one household gets everything. Actual scores lie somewhere in between.

Global financial crisis The period of extreme difficulties in **global financial markets** and banking systems between mid-2007 and early 2009.

Global financial markets International markets in financial assets, both bonds and shares, and also more liquid assets, such as government bonds.

Globalisation A process whereby all types of economic activity increasingly cross national borders. It includes international trade, foreign direct investment and international capital flows.

Government bonds These are how a government borrows money – often referred to in the UK as ‘gilts’. A bond issued by the government offers the investor who buys it a fixed rate of return over a fixed period of time, after which the government repays the money, possibly refinancing it by issuing another bond. These bonds are usually regarded as a very low-risk investment and can be easily traded in the bond market.

Government budget See **budget deficit**, **budget surplus**.

Gross domestic product (GDP) The value of all final goods and services produced in an economy. It is used as the main measure of output and economic activity. However, it excludes most of the output of unpaid work. ‘Nominal’ GDP is not adjusted for inflation, while ‘real’ GDP is.

‘Great Moderation’ The period preceding the 2008 financial crisis, when it was claimed that the business cycle had finally been conquered.

‘Great Recession’ The period following the 2008 financial crisis.

Growth See **GDP growth**.

Hedge fund A fund with looser rules on investor protection, and hence usually for those who are more experienced investors and prepared to accept more risk. They are called ‘hedge funds’ since they were originally used by investors to ‘hedge’ their bets, by covering riskier investments with safer ones – usually oil futures.

Heterodox economics Any school of economic or social thought (such as post-Keynesian, structuralist, Austrian, Marxian, feminist or institutionalist economics) that provides alternative ideas to those of the currently dominant neoclassical school of economics, which is usually referred to as ‘mainstream’.

Housing equity The stake (net of any mortgage debt) that a property owner has in their housing.

Human capital A person’s potential that can augment their productivity and earnings, mostly the product of training, education and experience.

Income tax (basic, higher and marginal rate) Tax paid on income. The basic rate of income tax is paid on the lowest taxable incomes, and higher rates are paid by those who earn more. A person’s marginal rate of tax is the rate they would incur on an additional pound of income. It will be the rate of tax paid on the top slice of a person’s income, which in a progressive income tax system will increase as income rises, with those on higher incomes being taxed at a higher marginal *rate* than those on lower incomes.

Indirect tax See **tax (indirect)**.

Industrial ecosystem The network of resources that allows companies and industrial sectors to be set up and grow. It includes everything from finance, supply chains, training and help with exporting to changes in the legal rules that would allow smaller companies to cooperate more effectively.

Industrial policy Policies intended to support the development of industry, to boost productivity, provide higher-paid jobs, and improve international competitiveness. These policies can include investment in particular industries, tariffs, export incentives, training and technology support policies.

Inequality There are many different inequalities, for example, in rates of employment, pay or household income across many different groups, such as between men and women or different ethnic groups. What is generally meant by just ‘inequality’ is how unequal the distribution of household income is, which can be measured by the Gini coefficient.

Inflation The rate at which prices in an economy increase over time. It is measured by price indices such as the **Consumer Price Index** (CPI). While inflation has had a bad press in Britain over the years, you can have too little of it, as well as too much. Deflation, the opposite of inflation, is regarded as especially damaging, since it typically slows consumption and has a highly negative effect on GDP growth.

Informal care Care that is provided unpaid by friends or family members.

Infrastructure The capital assets of an economy that make possible all its economic and social activity, including both physical infrastructure, such as roads and the internet, and social infrastructure, such as education and care systems. Both types of infrastructure tend to be at least partially paid for by public spending, because their benefits accrue to more than their direct users, who would not, and often could not, pay the costs of their full benefits to society.

Intellectual property Capital assets that consist of ideas and knowledge.

Interest Regular payments that have to be made paid to borrow money.

International Monetary Fund (IMF) An international financial institution established after the Second World War, with the goal of regulating and stabilising financial relationships among countries, and ensuring the free flow of finance around the world economy. Based in Washington, DC, it is governed by a system that grants disproportionate influence to the wealthier economies.

Keynesian economics The economics inspired by John Maynard Keynes, who, among many other things, recognised the importance of analysing whether an economy could generate enough demand to achieve full employment, and that expectations about economic prospects, what he called ‘animal spirits’, would have a key role in this. This is in contrast to the neoclassical school, which focuses more on long-run supply rather than shorter-run demand issues. Keynes famously remarked that in the long run we are all dead. Neoclassical economics also tends towards the idea that there are absolute laws governing economics, which leave room for expectations only if they can be expressed in mathematical laws.

Labour market How workers find employment. The sellers in this market are those who are seeking jobs and buyers are potential employers.

Labour-intensive A production process that requires particularly large amounts of labour relative to capital.

Leveraging Increasing the proportion of debt as a proportion of a company’s assets. De-leveraging means paying down debt. A leveraged form of investment is when debt is used to make an investment, for example, buying a company, and, in the case of a company, that debt is then a part of its (leveraged) assets.

Limited liability This allows shareholders to limit their commitment to a business to the value of their initial investment in its shares of stock. It is often argued that this also tends to limit their interest in its activities, making room for some fairly

questionable activities on the part of management due to a lack of shareholder oversight.

Liquidity How easily an asset can be sold for money. Only money itself is wholly liquid, but some assets, such as government bonds, can be easily sold. Fixed assets such as buildings and machinery are some of the least liquid.

Macroeconomics The study of aggregate economic indicators such as gross domestic product (GDP), its growth, employment, unemployment and inflation. Conventional economics makes a distinction between macroeconomics and microeconomics (the study of individual businesses or households).

Macro-prudential regulation An approach to financial regulation aimed at reducing ‘systemic risk’, that is, risk to the financial system as a whole.

Marketisation Involving private sector companies in the provision of previously public services. This can happen through the state directly contracting out services to private firms or by giving users budgets to spend themselves. When it refers to whole industries it is usually called **privatisation**.

Means-tested benefits Payments by the state to eligible individuals and households that depend on household income. Means testing has been argued to be a highly demeaning process, in some cases limiting uptake and undermining the potential effectiveness of such benefits to achieve their aims.

Microeconomics The study of the economic behaviour of what are treated as individual ‘agents’ such as companies, workers and households.

Minimum wage A legally imposed minimum wage rate per hour. In the UK, workers aged 25 and over must be paid the so-called ‘National Living Wage’. However, this is really just another name for the minimum wage, since its level is not

calculated according to the cost of living and is not enough to pay for what is agreed to be a decent standard of living.

Modelling Drawing an abstract picture of an economy, or part of it, by making simplifying assumptions to allow a clearer understanding of fundamental processes. Modelling is also necessary in order to apply quantitative analysis and make predictions. Particular models can be criticised for ignoring important processes, but any model needs to make some assumptions.

Monetary policy Government agencies, especially the Central Bank, using interest rate adjustments and banking regulation to attempt to control the creation of new credit by the private sector and hence the rate of both economic growth and job creation. ‘Tight’ (contractionary) monetary policy aims to reduce new credit creation with higher interest rates, while ‘loose’ (expansionary) policy tries to foster more credit and lending.

Mortgage A loan taken out to purchase residential or commercial property. It is secured on the property that can be sold by the lender if the loan conditions are not met.

Multiplier A stimulus designed to boost production and employment through government expenditure, resulting in a total increase in spending in the economy that is greater than the original expenditure. This is the multiplier in action and it works because those whose incomes have been increased by the initial expenditure spend some of their increased incomes. Its strength depends on many factors, such as the form of initial spending, how much people save rather than spend, the scale of imports, and the amount of spare capacity in the economy – all of which make the multiplier very hard to calculate in advance. The multiplier also works in the opposite direction. If austerity, rather than stimulus, is applied, the economy will shrink by more than the cut in spending.

Mutual fund A fund that pools investments in the shares of many publicly traded companies, to reduce both risk and the

overheads of investing in individual corporate shares. An investor buys one or more units in the fund, earning a percentage of the overall income.

Mutual society An organisation owned by its members for mutual benefit. Profits are usually reinvested, rather than being paid out, as they would be to shareholders. The precise workings will depend on the purpose of the society. The original ‘building’ societies, which emerged in 19th-century England to provide housing for ordinary people, were mutual societies, very few of which resisted de-mutualisation during the 1980s.

National debt See **public debt**.

National Development Bank A bank created by government to provide funding for the country’s economic development.

Natural monopoly A sector where strong economies of scale are inevitable so that competition will, without preventative regulation, tend to result in the dominance of one supplier. To prevent this, governments tend to regulate or nationalise natural monopolies, including transport infrastructure and public utilities.

Negative equity When the amount an asset is worth is less than the outstanding debts incurred in owning it (see **equity**).

Neoclassical economics Currently the dominant school of economics. It is both taught and practised worldwide and is especially dominant in countries like the UK, USA, Australia and Ireland. It is used to justify free market economies, by showing that a competitive economy will ensure that all available resources are fully utilised, and that everyone’s income is related to their productivity.

Neoliberalism A set of political ideas that became dominant globally from the early 1980s in response to the economic problems of the 1970s. Neoliberal policies have emphasised deregulation (including of labour and financial markets),

privatisation, globalisation and strict monetary policy. There is also a strong tendency to rely on theoretical models based on neoclassical economics, rather than the evidence of economic history and current events. Neoliberalism has resulted in the current economic situation of both the UK and much of the rest of the world.

Non-profit institution An institution whose primary purpose is something other than the making of a profit that reinvests any profits it does make.

Organisation for Economic Co-operation and Development (OECD) Set up in 1961, with the objective of helping to promote economic progress and world trade. It has a wider support base than, for example, the G20 (the group of the 20 richest economies), being supported by 36 member countries, and is based in Paris.

Outsourcing The process by which firms or the state buy in services from other private contractors (see also **marketisation**).

Patent monopoly A form of regulation of intellectual property rights to enable profit to be made from new inventions. An innovation that is patented cannot be used for a specified period of time by those who do not own the patent. Patents are supposed to protect those who have paid for an innovation's development costs and risks, but can be bought and sold.

Perfect markets/competition The most competitive market imaginable, in which no individual buyer or seller can influence market conditions or prices by their own actions. Perfectly competitive markets and competition do not, in practice, exist.

Pensions (occupational, private, state) An occupational pension scheme is provided by an employer, rather than one taken out privately. The state pension is paid by the state to all eligible retirees.

Poverty Poverty can be measured in *absolute* or *relative* terms. A household without the resources to reach a defined minimum standard of living is in ‘absolute’ poverty. Relative poverty is when the resources available to a household are too low relative to the income of the rest of the population, as measured by, for example, median income. People are classified as being in poverty if their household is, even though households are known not to share resources equally.

Price elasticity A measure of how much the amount people buy of a good responds to a change in its price.

Private equity A form of business in which the company’s entire equity base is owned by one or a small group of individual investors. A private equity company does not issue shares onto the stock market, and hence is not usually required to release public financial statements or comply with other securities regulations. Private equity firms are generally considered to be more ruthlessly focused on generating shorter-term cash profits from their operations than companies listed on the stock market.

Privatisation The selling of state-owned assets to private investors. In the UK, a wave of privatisations since the 1980s has included the railway system, public utilities, public housing and even the Royal Mail.

Productivity Measures the efficiency of production, in amount produced per worker or per hour of work. Physical productivity measures the physical amount produced, but measurement is more usually in terms of the value produced.

Progressive/regressive policies Policies that decrease (regressive) or increase (regressive) income inequality.

Progressive taxation See **tax system**.

Public debt (national debt) This is made up of the combined deficits of previous years. Much has been made of the supposedly perilous level of this debt in Britain since the 2008 financial

crisis. But, while some have claimed that there will be dire effects on economic growth if debt is more than 90 per cent of GDP, they have had less to say when explaining how countries such as Japan appear to be able to happily support debt of 240 per cent of GDP.

Public/private good A public good is one that has public benefits, that is, necessarily benefits others than its direct consumers. A private good benefits its direct consumers alone. Public goods are underprovided unless the state pays for them (at least partially), because direct consumers will pay only for their benefits to themselves and not for their wider public benefits.

Public investment See **capital account**.

Publicly Listed Company (PLC) A company whose shares of stock are owned by a large number of widely dispersed shareholders, and are tradable on a stock market.

Public procurement The state buying goods and services it needs (see also **outsourcing**).

Quantitative easing (QE) This involves the Central Bank buying large amounts of (often government) bonds from financial institutions – effectively making them far more cash-rich. Although intended as an expansionary policy by raising asset prices and driving down interest rates, its main effects were to support the banks that were damaged during the 2008 crisis, to increase inequality by making asset holders richer, and to produce a stock market boom. In practice, there was very little expansion of the real economy.

Quasi-market A sort of market set up within the public sector version of a free market, supposedly to provide the ‘benefits’ of free market efficiency while preserving the traditional, existing processes of public sector management and ownership. The track record of the NHS’s ‘internal’ market, however, suggests that this idea is not without its problems.

Real economy The section of the economy that produces actual goods and services, rather than just financial trading.

Recession (slump) The technical definition of a recession is when the total real GDP of an economy shrinks for two or more consecutive quarters.

Recovery The opposite of a recession – when GDP has begun to grow again. However, given the optimistic nature of politicians and economists, only one quarter of positive growth is required to constitute a recovery, whereas a recession requires two of negative growth. Recession and recovery are two phases of the economic or ‘business’ cycle.

Regulation A framework of rules and regulations that a sector must adhere to. Regulation is instituted by the government, but the specific rules are often designed, administered and, where necessary, enforced by an independent body, set up for that purpose, usually in the public sector.

Rentier An individual or organisation whose income is derived from interest on loans, rents from property and so on.

Retail banking See **banking (retail)**.

Securitisation A process that converts the flow of income arising from financial commitments (such as loans or credit card debt) into financial assets (such as bonds), which can then be traded in markets.

Slump See **contraction** or **recession**.

Social capital The strengths of institutions and relationships in a society are sometimes called its social capital.

Social infrastructure Infrastructure that consists of ‘human and social capital’, that is, wealth that resides in the capabilities of individuals and institutions of society and supports the quality of life of a country, region, city or neighbourhood.

This use is in contrast to that of some mainstream economists who would recognise only physical community assets such as schools, universities, hospitals, prisons and community housing as social infrastructure (by our definition, a type of physical infrastructure), but not the systems for the provision of education, health or social services within such buildings.

Social insurance A system in which people are compulsorily insured by the state for risks such as sickness, unemployment, etc.

Social mobility The ease or difficulty of people moving between socioeconomic strata and escaping or replicating the fortunes of their parents.

Social prescribing Prescribing non-medical treatments, such as gym or social club membership, to improve health and wellbeing.

Social security system A government system that provides monetary assistance to people according to their needs. It is sometimes pejoratively and misleadingly referred to as 'welfare', to suggest that it provides just hand-outs for a section of the population, rather being a system into which we all pay and also require at various times in our lives.

Socioeconomic gradient How access to the good things in life varies with socioeconomic status.

Sovereign wealth fund A state-owned investment fund or entity that is commonly established from balance of payments surpluses, official foreign currency operations, the proceeds of privatisations, governmental transfer payments, fiscal surpluses, and/or receipts resulting from resource exports. Despite having been an oil and gas exporter in the 1980s, the UK has no sovereign wealth fund.

Speculation Buying in anticipation of a price rise, or selling in anticipation of a price fall. Speculation is at the core of what has been described as 'casino capitalism'. It essentially involves betting on a particular financial outcome. 'Short selling', for

example, means betting that a particular company's share will fall in value in a specified, but 'short', period of time.

State-owned corporation (state-owned enterprise) A business that is either wholly or partially owned and operated by the government.

Supply The amount of a good or service available at any particular price.

Surplus See **budget surplus**.

Sustainability When what is done in the present does not compromise the ability of future generations to do the same.

Tariff A tax imposed on imports, usually to support domestic production of the product in question by making imported goods more expensive.

Tax (direct) A tax levied on the income or profits of a person or firm who pays it, rather than on goods or services, like income tax and corporation tax.

Tax (indirect) A tax, usually on goods and services, that is paid indirectly by the seller, like VAT or fuel duty.

Tax avoidance Taking full advantage of the way the legal system in an economy works to minimise tax liabilities. This is not illegal.

Tax credits Benefits paid to low-income families with children and/or in employment. They are means-tested on household income.

Tax evasion This involves misrepresenting financial assets and income to save tax and is illegal.

Tax system (progressive, regressive, flat rate) A progressive income tax system taxes people at a higher rate the more they

earn, while in a regressive system the rate decreases as people earn more. A flat rate system is one where everyone pays the same tax rate, regardless of their income.

Transaction costs Costs incurred during the process of buying or selling that are not the inherent cost of providing a good or service. Policy-makers often claim that their policies will reduce transactions costs.

Unemployment Individuals who would like to be employed, and are actively seeking employment, but cannot find a job are considered 'officially' unemployed. Individuals who are not employed but not actively looking for employment, even if they are doing unpaid caring work, are considered to be outside of the labour force and hence don't count as unemployed.

Unemployment rate The number of unemployed people measured as a proportion of the labour force.

Universal Basic Income (UBI) A system under which all adults, regardless of their income, employment status, wealth, marital status or any other circumstances receive an income from the government intended to cover the basic cost of living (also known as Citizen's Income).

Universal Credit (UC) A **means-tested benefit** aimed at people of working age who are either looking for work or earn a low income. It replaces a number of previous means-tested benefits and tax credits by a single monthly payment, which has caused considerable hardship and increased the use of food banks. Its introduction has been considerably delayed.

Universalism/means testing Universal benefits are based on social solidarity and paid at the same rate to all eligible claimants. Means-tested benefits are targeted and paid at a level that depends on a claimant's household income. In recent years, governments have tended to favour means testing, moving away from the principle of universalism.

Wealth tax A tax in which owners of wealth, or particular forms of wealth (such as financial wealth, real estate or inheritances), must pay a specified proportion of that wealth to the government, usually on an annual basis.

World Bank (The) An international financial organisation formed after the Second World War and based in Washington, DC. Its supposed goal is to promote the economic development of poor regions of the world through subsidised loans, economic advice and other forms of assistance. In practice, it has played an important role in reinforcing neoliberal economic policies in developing countries, including through the aggressive use of conditionality strategies, that make development assistance dependent on conforming to rules specified by the Bank.

World Trade Organization (WTO) An international economic organisation formed in 1995 and based in Geneva, Switzerland, which is dedicated to promoting greater trade and investment among its members. Most countries in the world now belong to the WTO, and hence have committed to reducing tariffs on imports, reducing non-tariff barriers to trade, reducing restrictions on foreign investment, and generally following a pro-market vision of economic development.

Zero-hours contracts Employment contracts with no guaranteed hours. Employees are not guaranteed any work by their employers (and therefore no pay).