**Theme 2 – The Wider Economic Environment**

**Key Terms List**

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| 2.1 Business growth and competitive advantage |
| Economies of scale |  |
| Internal economies of scale |  |
| External economies of scale |  |
| Market power |  |
| Market share |  |
| Diseconomies of scale |  |
| Corporate culture |  |
| Organic growth |  |
| Inorganic growth |  |
| Horizontal integration |  |
| Vertical integration |  |
| Conglomerate integration |  |
| Competitive advantage |  |
| Product innovation |  |
| Process innovation |  |
| State funding |  |
| Product lifecycle |  |
| Extension strategy |  |
| Digital economy |  |
| Viral marketing |  |
| Social media |  |
| Micromarketing |  |
| The Long Tail!!!! |  |
| Product differentiation |  |
| USP |  |
| Niche market |  |
| 2.2 Firms, consumers and elasticities of demand |
| Price elasticity of demand (PED) |  |
| Cost plus pricing |  |
| Price skimming |  |
| Penetration pricing |  |
| Predatory pricing |  |
| Competitive pricing |  |
| Psychological pricing |  |
| Social trends |  |
| Non-price competition |  |
| Income elasticity of demand (YED) |  |
| Inelastic demand |  |
| Elastic demand |  |
| Unitary elasticity |  |
| Normal good |  |
| Inferior good |  |
| 2.3 Productive efficiency |
| Productivity |  |
| Labour intensive production |  |
| Capital intensive production |  |
| Capacity utilisation |  |
| Full capacity |  |
| Spare capacity |  |
| Lean production |  |
| Quality control |  |
| Quality assurance |  |
| Total Quality Management (TQM) |  |
| Kaizen |  |
| Just In Time (JIT) |  |
| Short product development lead time |  |
| 2.4 – Life in a global economy |
| Globalisation |  |
| Trade liberalisation |  |
| Capital market liberalisation |  |
| Transnational company |  |
| BRIC |  |
| GDP per capita |  |
| Human Development Index (HDI) |  |
| Mean income |  |
| Median income |  |
| Trading bloc |  |
| Import |  |
| Export |  |
| Invisible import |  |
| Invisible export |  |
| Exchange rate |  |
| SPICED |  |
| Effective exchange rate |  |
| 2.5 – The economic cycle |
| The economic cycle |  |
| Boom |  |
| Recession |  |
| Depression |  |
| The circular flow of income |  |
| Injection |  |
| Withdrawal |  |
| Aggregate Demand |  |
| C+I+G+(X-M) |  |
| Aggregate supply |  |
| Inflation |  |
| Deflation |  |
| Disinflation |  |
| RPI |  |
| CPI |  |
| Demand-pull inflation |  |
| Cost-push inflation |  |
| Real values |  |
| Nominal values |  |
| Structural unemployment |  |
| Occupational unemployment |  |
| Geographical unemployment |  |
| Technological unemployment |  |
| Demand deficient / cyclical unemployment |  |
| 2.6 An introduction to macroeconomic policy |
| Economic objectives |  |
| Balance of payments |  |
| Fiscal policy |  |
| Monetary policy |  |
| Supply-side policy |  |
| Exchange rate policy |  |
| Floating exchange rate |  |
| Trade-off |  |