

English	Definition
Monetary policy	The manipulation of Interest rates in order to affect AD and so Inflation, growth and employment.
Central Bank	An Institution responsible for monetary and exchange rate policy which provides banking services to the government and to commercial banks.
Expansionary monetary policy	To increase AD of an economy that is in or about to enter recession (to close a deflationary gap).
Contractionary monetary policy	To decrease AD of an economy suffering from inflationary pressures (to close an inflationary gap).
Interest rate	Price of money, reward for savings, cost of borrowing.
Monetarism	School of thought where there is no minimal government intervention. Based on the flexible wage theory.

2.5 Supply-side policies

English	Definition
Supply-side policies	Policies aimed to increase AS in order to affect growth, employment and inflation.
Interventionist supply-side policies	These policies are based on the idea that government has a fundamental role to play in actively encouraging growth.
Infrastructure	Physical capital, typically financed by governments, which facilitates economic activity.
Human capital	Education, training and experience embodied in the labour force of an economy.
Market-based supply side policies	These policies focus on allowing markets to operate more freely, with minimal government intervention.
Privatisation	This is the sale of public government-owned firms to the private sector.
Deregulation	If governments have placed many regulations on the operations of business then this may increase their costs of production, thereby reducing potential output in the economy.