Economy and finance

VOCABULARY PRACTICE
UPPER-INTERMEDIATE | B2

Name: _____ Date: _____

1 Match each precise term with its definition.

1 quantitative easing ____	**a** a central bank policy of creating money to buy assets, aimed at boosting the economy
2 fiscal stimulus ____	**b** government spending increases or tax cuts intended to stimulate economic activity
3 trade deficit ____	**c** a situation where a country imports significantly more than it exports
4 sovereign debt ____	**d** money owed by a national government, typically through issuing bonds
5 austerity ____	**e** a government policy of reducing spending to control public debt, often during tough times
6 stagflation ____	**f** a rare condition combining high inflation with stagnant growth and high unemployment
7 liquidity ____	**g** the ease with which assets can be converted into cash without losing value
8 macroeconomic indicator ____	**h** a broad statistic reflecting the overall health of an economy, such as GDP or unemployment
9 economic contraction ____	**i** a period of declining economic output
10 productivity growth ____	**j** an increase in output produced per unit of labour or input over time

2 Choose the word with the most suitable connotation.

1 For a central bank creating money to buy assets: quantitative easing / a tax increase.

2 For government spending to stimulate the economy: fiscal stimulus / spending cuts.

3 For importing significantly more than exporting: a trade deficit / a trade surplus.

4 For money owed by a national government: sovereign debt / personal savings.

5 For reducing government spending to control debt: austerity / expansion.

6 For high inflation combined with stagnant growth: stagflation / a healthy boom.

7 For the ease of converting assets to cash: liquidity / illiquidity.

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8 For a period of declining economic output: economic contraction / economic expansion.

3 Complete the economic collocations with one word.

1 _____ easing (= central bank money creation)

2 a fiscal _____ (= spending to boost the economy)

3 a trade _____ (= importing more than exporting)

4 sovereign _____ (= national government debt)

5 _____ measures (= cutting spending to control debt)

6 fall into _____ (= high inflation and stagnant growth together)

7 market _____ (= ease of converting assets to cash)

8 economic _____ (= declining output)

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4 Complete the case notes with words and phrases from the box.

austerity | economic contraction | fiscal stimulus | liquidity | macroeconomic indicator | productivity growth | quantitative easing | sovereign debt | stagflation | trade deficit

Case A: The government introduced a large 1 _____ package to boost demand during the downturn.
Case B: The central bank turned to 2 _____, purchasing bonds to inject 3 _____ into the financial system.
Case C: Rising 4 _____ forced the government to consider 5 _____ measures to reduce spending.
Case D: Economists warned that persistent 6 _____ was widening, as imports continued to outpace exports.
Case E: The country experienced worrying 7 _____, with inflation rising even as growth stagnated.
Case F: Every 8 _____ pointed towards a coming 9 _____, prompting fears of recession.
Case G: Analysts noted that stagnant 10 _____ had limited long-term wage growth for years.

5 Read the text and answer the questions briefly.

The austerity debate

Economists remain divided over whether austerity measures, reducing government spending during economic downturns, help or hinder recovery. Proponents argue that reducing sovereign debt reassures financial markets and prevents future fiscal crises, potentially lowering long-term borrowing costs. Critics counter that cutting spending during a downturn can deepen economic contraction, since reduced government spending removes demand from an already weakened economy, potentially triggering a longer recession than fiscal stimulus would produce. Empirical evidence remains contested, partly because economies rarely offer clean natural experiments, making it difficult to isolate the effects of austerity from other simultaneous economic factors.

1 What do economists remain divided over? _____
2 What do proponents of austerity argue? _____
3 What might reducing sovereign debt potentially lower? _____
4 What do critics of austerity counter? _____
5 Why can cutting spending during a downturn deepen contraction, according to critics? _____
6 Why does empirical evidence remain contested? _____

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6 **Rewrite each sentence using the word in capitals. Do not change the meaning.**

1 The central bank created money to buy financial assets. QUANTITATIVE EASING _____

2 The government spent more to stimulate the economy. FISCAL STIMULUS _____

3 The country imported far more than it exported. TRADE DEFICIT _____

4 The economy experienced high inflation and stagnant growth together. STAGFLATION _____

OVER TO YOU

Write a 120-150 word account analysing the debate over austerity versus fiscal stimulus during an economic downturn, distinguishing observation from argument.

[ ] Use at least twelve target expressions. [ ] Control connotation carefully. [ ] Avoid unsupported assumptions.

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ANSWER KEY

1 Precise terms

1 a 2 b 3 c 4 d 5 e 6 f 7 g 8 h 9 i 10 j

2 Connotation

1 quantitative easing 2 fiscal stimulus 3 a trade deficit 4 sovereign debt 5 austerity 6 stagflation 7 liquidity 8 economic contraction

3 Collocations

1 quantitative 2 stimulus 3 deficit 4 debt 5 austerity 6 stagflation 7 liquidity 8 contraction

4 Case notes

1 fiscal stimulus 2 quantitative easing 3 liquidity 4 sovereign debt 5 austerity
6 trade deficit 7 stagflation 8 macroeconomic indicator 9 economic contraction 10 productivity growth

5 Reading - suggested answers

1 Whether austerity measures help or hinder recovery.
2 That reducing sovereign debt reassures financial markets and prevents future fiscal crises.
3 Long-term borrowing costs.
4 That cutting spending during a downturn can deepen economic contraction.
5 Because reduced government spending removes demand from an already weakened economy.
6 Because economies rarely offer clean natural experiments, making it difficult to isolate the effects of austerity.

6 Rewriting - possible answers

1 The central bank used quantitative easing. 2 The government used fiscal stimulus.
3 The country had a trade deficit. 4 The economy experienced stagflation.

Over to you

Answers will vary. Check lexical precision, appropriate connotation and separation of fact from inference.