Terms: 7

## **ECONOMICS DICTIONARY**Syllabus 4.7: Debt

## <u>Submariner Dictionary: Unit 7 (4.3, 4.5, 4.6 + 4.7)</u>

Term	Definition	Diagram.	Example.
	note the use of key terms	Probably better to	Add examples as
_	to explain the term	add by hand!	appropriate.
Term	Definition:	Diagram to use:	Example:
balance of payments	this term belongs to secion 3.3 the key issue here is that repayment of debt by LEDC's is done in hard currency e.g. US \$ and therefore the LEDC must 'leak' this money out of the economy and if the value of the domestic currency is weak then the cost of the debt has a greater impact on the balance of payments (understand balance of payments as a governement statistic that records all of the flows of money in and out of a country.		For an example of the impact of a reduction in debt and its effect on the macroeconomy of the LEDC then take a look here for examples relating to Uganda and Guyana: https://www.youtube.com/watch?v=EJYZCTX U4Dg
debt cancellation	this is of course the best outcome for the LEDC whereby debt is cancelled		efforts by international celebrities such as Bone play a significant role here. Take a look here: https://www.youtube.com/watch?v=dPG9McgfwRg
debt servicing	this relates to the payment of the interest on the loans or debt. See dictionary 4.6 'concessional loans' the point to note here is that the debt servicing only becomes a problem when the debt repayments are too high as a % of GDP and the country cannot afford to find money to inject into merit and public good spending that are key to poverty reduction. This is done of course through government fisca policy.		

## **Term +Explanation**

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foreign	foreign creditors are those		
creditors	banks and institutions that		
	lend money to LEDC		
	governments. Note carefully		
	of course that since the risk		
	or non repayment can be		
	high the interest rates		
	charged by foreign creditors		
	can be high thereby		
	reducing the abilty of the		
	governement to reduce	,	
	poverty using fisca policy to	,	
	spend on merit and public	,	
	goods		
foreign debt	this is the money owed by a		
loreigh debt		,	
	(LEDC) governement to		
	foreign banks (otherwise		
in delete !	known as creditors)		
indebtedness	this terms is also in the		
	syllabus and highlights the	,	
	burden of debt i.e.	,	
	indebtedness is a key	,	
	problem for LEDC's not	,	
	allowing the domestic	,	
	government to use fiscal	,	
	policy effectively to manage	,	
	the economy for	,	
	development i.e. poverty	,	
	reduction	,	
national debt	this refers to the debt of a		
	nation or the government	,	
	of a nation to banks and	,	
		,	
Note: see	other institutions e.g. IMF		
		,	
dictionary 4.6		,	
for IMF and			
World Bank		,	
definitions			
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