AQA Economics AS-level

Macroeconomics

Topic 2 - How the Macroeconomy Works

Flashcards

Accelerator

A change in the level of investment into capital goods, brought about by a growth of aggregate demand

Actual output

Level of actual output produced in the economy in a year

Aggregate demand

Total planned spending on real output produced by the economy

Aggregate supply

Total real national output

Gross domestic product (GDP)

The sum of all goods and services produced in an economy over a period of time

Injection

Spending power entering the circular flow of income resulting from investment, government spending and exports

Keynesian economists

Followers of the economist John Maynard Keynes, who believe the government should generally manage the economy

Long run aggregate supply (LRAS)

Aggregate supply when the economy produces its productive potential

Monetarists

Economists who believe increases in the money supply is a significant factor of inflation

Multiplier

The relationship between a change in aggregate demand and the resulting change in national income

National capital stock

Stock of capital in the economy

National income

The flow of new output produced by the economy

National output

The same as national income

National product

The same as national income

Nominal GDP

GDP measured at current market prices, without taking into account the effects of inflation

Pro-free market economists

Opponents of Keynesian economists, who believe the government should generally leave the markets to operate freely

Real GDP

GDP measured, taking into account the effects of inflation

Real wage

The purchasing power of the nominal wage, after taking into account the effects of inflation

Real wage unemployment

Unemployment caused by real wages being stuck above the equilibrium wage rate

Saving

Unspent income

Short run aggregate supply (SRAS)

Aggregate supply when the level of capacity is fixed, though existing factors can be utilised more or less to impact real output

Short run economic growth

An increase in the real output by taking up slack in the economy

Technological progress

When technological change results in more output for the same quantity of input

Trend growth rate

The level of economic growth that is sustainable, without putting upward pressure on inflation

Withdrawal

Spending power exiting the circular flow of income resulting from savings, taxation and imports