

Definitions and Concepts for AQA Economics A-level

Paper 2: Macroeconomics

Topic 1 – The Measurement of Macroeconomic Performance

Availability of credit: Funds available for firms and households to borrow.

Base year: The first year in an economic or financial index.

Black (informal, shadow) market: Economic activities that occur below the government's radar.

Claimant count: A method of measuring unemployment by counting all of those who claim the Jobseekers Allowance and other unemployment related benefits.

Consumer prices index (CPI): Official measure used to calculate the rate of consumer price inflation, using a basket of common goods.

Credit crunch: Occurs when there is low availability of credit in the economy.

Economic shock: Unexpected events and their effects on economies; may be demand side or supply side.

Exchange rate: The price of a currency measured in terms of another currency.

Exports: Domestically produced goods and services sold to residents of other countries.

Full employment: All those willing and able to work are able to find jobs.

Gross National Income (GNI): Sum of value added by all producers who reside in a nation, plus product taxes not included in the value of output, plus receipts of primary income from abroad.

Gross National Product (GNP): Market value of all products produced per annum by the labour and property supplied by the citizens of one country.

Imports: Non-domestically produced goods and services sold to residents of this country.

Index numbers: Numbers allowing accurate comparisons over time to be made. The base year value is typically 100.

Inflation rate target: The CPI inflation rate target set by the government, which the Bank of England attempts to achieve; currently 2%.

Job Seeker's Allowance (JSA): Unemployment-related benefit.

Labour Force Survey: A quarterly survey of UK households, recording information on the personal employment circumstances of the respondents.

Liquidity: The ease with which an asset can be turned into cash without loss or delay.

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Macroeconomics: Involves the study of the whole economy at the aggregate level.

Macroeconomic stability: Occurs when there is low volatility of key macroeconomic indicators.

Marginal propensity to consume (MPC): The proportion of an increase in disposable income that is spent on consumer goods.

National wealth: The stock of all goods with value in an economy.

Per capita: Per person/ per head.

Performance indicator: Provides information used to judge success or failure of a government policy.

Policy instrument: Tool or set of tools used to try and meet a policy objective.

Policy objective: Target or goal policy-makers aim to hit.

Price index: An index number showing the extent to which a set of prices has changed in comparison to the prices in the base year.

Purchasing Power Parity (PPP): Adjustments of exchange rates to reflect the actual purchasing power of a currency.

Retail prices index (RPI): An older measure used to calculate the rate of consumer price inflation.

Wealth: Stock of assets.

Weighting: When certain data items in a set are assigned a higher or lower importance than other data items in the set.

