

# OCR Economics A-Level

## Macroeconomics

### Topic 1 - Aggregate Demand and Aggregate Supply

#### Flashcards

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# Circular flow of income



## Circular flow of income

A model of the economy which shows the flow of goods and services, the factors of production and money around the economy



# Injections



# Injections

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



# Leakages



# Leakages

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



# Macroeconomic equilibrium





# Macroeconomic equilibrium

Where the rate of withdrawals equals the rate of injections



# Monetary flows



# Monetary flows

The flow of money, for example from taxes or for consumption



# Physical flows



# Physical flows

## The flow of a good or service



# Aggregate demand (AD)



# Aggregate demand

The total level of demand in an economy at any given price level at a moment in time



# Consumption





# Consumption

Consumer spending on goods and services



# Investment



# Investment

Spending by businesses on capital goods, which leads to the creation of real goods.



# Government expenditure



# Government expenditure

Spending by the government for the provision of goods and services



# Exports



# Exports

Goods and services sold to foreign countries that provide an inflow of money



# Imports





# Imports

Goods and services bought from foreign countries that lead to an outflow of money



# Net exports



Net exports

Exports minus imports



# Aggregate supply (AS)



# Aggregate supply

The total amount of output in the economy at any given price level at a moment in time



# Short run aggregate supply (SRAS)

Aggregate supply when at least one factor of production is fixed



# Short run



## Short run

When at least one factor of production is fixed





# Long run aggregate supply (LRAS)



# Long run aggregate supply

The total output an economy can produce when operating at full output



# Long run



Long run

When all factors of production are  
variable

