

SSEMA1: Macroeconomics Notes

SSEMA1: The student will illustrate the means by which economic activity is measured

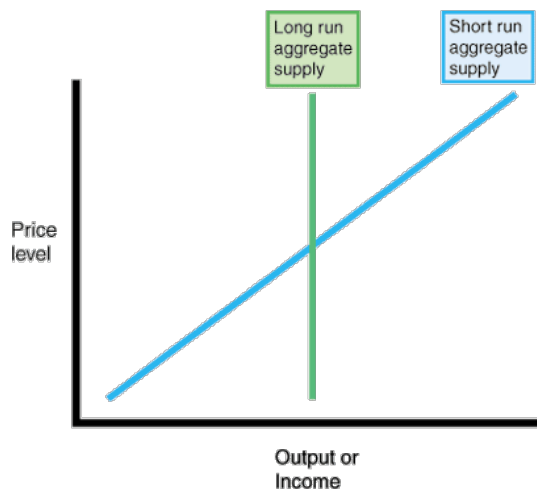
b. Define Gross Domestic Product (_____), economic growth, unemployment, Consumer Price Index (_____), inflation, stagflation, and aggregate supply and aggregate demand.

- Macroeconomics: the study of the behavior and the decision making of _____
- Gross Domestic Product (GDP)
 - G—_____
 - D—_____
 - P—_____
 - What does it measure?
 - _____
 - _____
 - It's a measure of _____
 - Given as a _____
 - Formula: _____
 - $C =$ _____ (consumers)
 - $I =$ _____ (businesses investing)
 - $G =$ _____
 - $(X-M) =$ _____
 - What is counted in GDP?
 - _____ goods and services
 - Produced in _____ even if _____ company
 - What is not counted in GDP?
 - Things produced _____ (even if US company)
 - _____ (black market, illegal gambling)
 - Purely financial transactions
 - _____
 - Examples: _____
- Economic Growth
 - Economic growth is measured by finding _____ (real GDP divided by the total population)
 - Real GDP per capita is considered the best measure of a _____

- Basic measure of a nation's economic growth rate is the percentage change of real GDP over a given period of time
- Aggregate Supply and Aggregate Demand

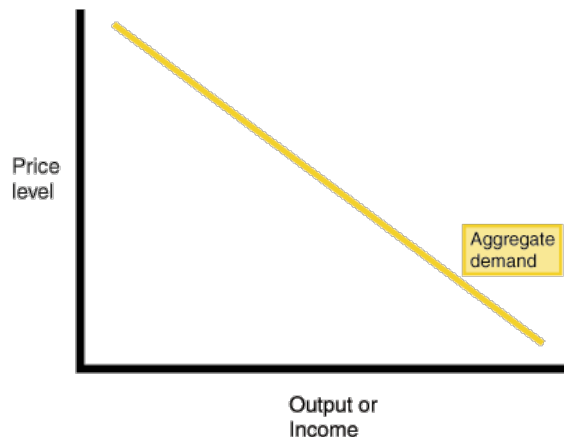
- Aggregate Supply

- Aggregate supply: the total amount of goods and services in the _____
- As the prices of most goods and services change, the price level changes
- Firms respond by changing their _____ (real GDP)
 - Prices rise—_____
 - Prices fall—_____



- Aggregate Demand

- Aggregate demand: the amount of goods and services in the _____
- Lower price levels means _____; falling prices increase wealth and demand
- Higher price levels cause _____; reduction in the quantity of goods and services demanded



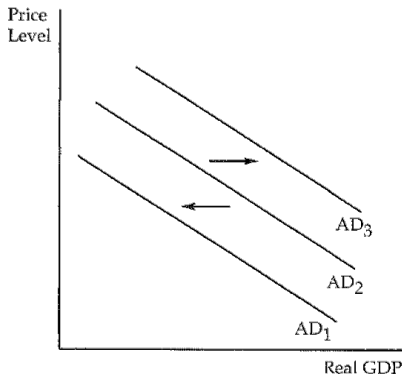
○ Factors that shift an AD curve:

▪ Changes in

- _____
- _____
- _____
- _____

▪ _____ in AD _____ real GDP and price level

▪ _____ in AD _____ real GDP and price level



1. What factors can cause the AD curve to shift to the right or increase?

2. What factors can cause the AD curve to shift to the left or decrease?

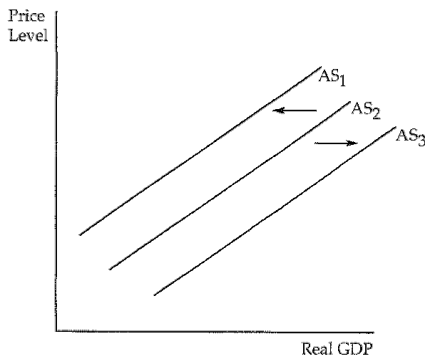
○ Factors that shift an AS curve:

▪ Changes in:

- _____
- _____
- _____
- _____

▪ _____ in AS _____ real GDP and _____ the price level

▪ _____ in AS _____ real GDP and _____ the price level

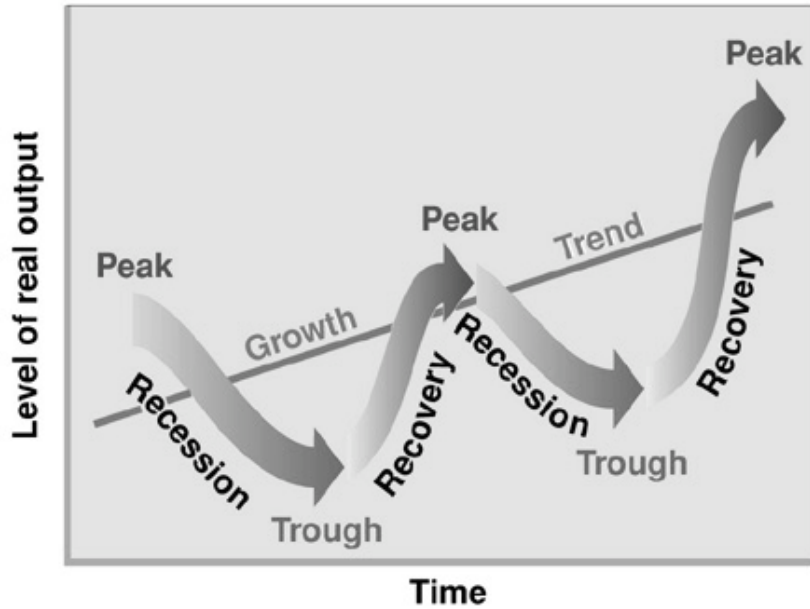


1. What factors can cause the AS curve to shift to the right or increase?

2. What factors can cause the AS curve to shift to the left or decrease?

- Business Cycle

- Business cycle: a period of economic _____ followed by a period of _____
- Not minor _____, major changes in real GDP above or below normal levels



- Phases of Business Cycle
 - Expansion: _____
 - Plentiful jobs, falling unemployment rate, business prosperity
 - _____: height of economic expansion, when real GDP stops rising
 - Contraction: _____
 - Unemployment rate increases, recession, depression
 - _____: lowest point in economic contraction when real GDP stops falling