Text of Macroeconomics Talking Definitions week 3-4 voice file

Real GDP

'Real Gross Domestic Product
An inflation-adjusted measure that reflects the value of all goods and services produced in a given year, expressed in base-year prices. Often referred to as "constant-price," "inflation-corrected" GDP or "constant dollar GDP".

Nominal GDP

The production of goods and services valued at current prices
A gross domestic product (GDP) figure that has not been adjusted for inflation.
Also known as "current dollar GDP" or "chained dollar GDP."

Subsidy

Payment to buyers and sellers to supplement income or lower costs and which thus encourages consumption or provides an advantage to the recipient.

Inflation

An increase in the overall level of prices in the economy

Deflation

A general decline in prices, often caused by a reduction in the supply of money or credit. Deflation can be caused also by a decrease in government, personal or investment spending. The opposite of inflation, deflation has the side effect of increased unemployment since there is a lower level of demand in the economy, which can lead to an economic depression. Central banks attempt to stop severe deflation, along with severe inflation, in an attempt to keep the excessive drop in prices to a minimum.

The decline in prices of assets, is often known as Asset Deflation.

Money illusion:

An economic theory stating that many people have an illusory picture of their wealth and income based on nominal dollar terms, rather than real terms. Real prices and income take into account the level of inflation in an economy.

Stagflation:

A period of falling output and rising prices

CPI (Consumer Prices Index)

A measure of the overall prices of the goods and services bought by a typical consumer

Malthusian trap

Malthus suggested that improvements in technology would inevitably lead to an increase in population that would put increasing strain on resources. This would lead to no change in quality of life, or a decrease in quality of life, as a result of those technological developments. He believed it was not possible to make social progress that would improve living standards and incomes, as any steps in that direction would just create more people and more social pressures.

supply side policies

The use of microeconomic incentives to promote employment and the accumulation of capital stock and technology.

1980's Reagan and Teacher.

Tax cuts to reduce the marginal tax rate
Improve the flexibility of labour market.
Direct regulation of wages to reduce real wages.
Investment subsidies.

sustainable development

Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Expansionary (easy) fiscal policy:

A macroeconomic policy that seeks to encourage economic growth. One form of expansionary policy is fiscal policy, which comes in the form of tax cuts, rebates and increased government spending.

Subsidy

Payment to buyers and sellers to supplement income or lower costs and which thus encourages consumption or provides an advantage to the recipient

Potential output

The output level in an economy when all existing factors of production (land, labour, capital, and technology resources) are fully utilized and where unemployment is at its natural rate

Endogenous growth:

The notion that policies, internal processes and investment capital, rather than external factors, are chiefly responsible for economic growth.

Physical capital

The stock of equipment and structures that are used to produce goods and services

Natural resources

The inputs into the production of goods and services that are provided by nature, such as land, rivers and mineral deposits