

Chapter 13

| Definitions | Analysis |
|------------------------------|--|
| Gross domestic product (GDP) | Identifying parts of the business cycle |
| Final goods and services | Compare what GDP measures and what it omits |
| Intermediate goods | Nominal GDP and Real GDP conversions |
| Exports | Categorizing spending as C, I, or G |
| Imports | Calculating inflation rates from data |
| Nominal value | Calculating unemployment rates from data |
| Purchasing power | Compare/contrast different inflation indices CPI, PPI, PCE, GDP deflator |
| Inflation | Identify reasons for differences in unemployment rates for groups |
| Deflation | Categorizing employment, unemployment, out of labor force |
| Real value | |
| Business cycle | |
| Peak | |
| Trough | |
| Recession | |
| Depression | |
| Boom | |
| Real GDP per capita | |
| Capital depreciation | |
| Menu costs | |
| Shoe-leather costs | |
| Hyperinflation | |
| Consumer price index (CPI) | |
| Labor force | |
| Unemployment rate | |
| Discouraged workers | |
| Underemployed workers | |
| Frictional unemployment | |
| Structural unemployment | |
| Cyclical unemployment | |
| Seasonal unemployment | |
| Full employment | |
| Natural rate of unemployment | |

Chapter 14

| Definitions | Analysis |
|------------------------------------|--|
| Aggregate demand curve | Explain the derivation of AD, LRAS, and SRAS curves |
| Real wealth effect | Explain the difference between SRAS and LRAS |
| Interest rate effect | Find the macroeconomic equilibrium at the intersection of AD, LRAS, SRAS |
| Foreign trade effect | Shift AD and SRAS curves to simulate shocks to the economy |
| Discretionary spending | Explain causes for shifts in LRAS |
| Mandatory spending | Use MPC to find a change in Consumption/Saving for a change in Income |
| Net interest spending | Find the value of the spending multiplier from MPC/MPS |
| Marginal propensity to consume | Applying the spending multiplier to find changes in GDP |
| Marginal propensity to save | Distinguish between Mandatory and Discretionary spending |
| Spending multiplier | |
| Leakage | |
| Short-run aggregate supply curve | |
| Nominal wages | |
| Real wages | |
| Sticky nominal wages | |
| Supply shock | |
| Macroeconomic equilibrium | |
| Long-run aggregate supply curve | |
| Full-employment (potential) output | |

Chapter 15

| Definitions | Analysis |
|----------------------------|--|
| Fiscal policy | Distinguish between Expansionary and Contractionary fiscal policy |
| Regressive tax | Demonstrate how expansionary and contractionary fiscal policy move AD |
| Progressive tax | Discuss the supply-side effects of fiscal decisions |
| Proportional (flat) tax | Explain the various lags and how they affect the ability to do fiscal policy |
| Budget surplus | Distinguish between progressive, regressive, and proportional taxes |
| Budget deficit | Explain the origin of federal debt |
| Debt | |
| Classical theory | |
| Say's law | |
| Keynesian theory | |
| Monetarist theory | |
| Stagflation | |
| Recessionary gap | |
| Expansionary fiscal policy | |
| Transfer payments | |
| Inflationary gap | |
| Automatic stabilizers | |
| Recognition lag | |
| Implementation lag | |
| Outside lag | |
| Crowding out | |
| Supply-side fiscal policy | |
| Disposable income | |