

4 Measuring the economy – Part 1

Name: _____ Class: _____ Date: _____

Vocabulary 词汇

Write each word three times. 把每个单词抄写三遍。

English	中文	Write it 3 times (English)		
macroeconomics	宏观经济学	_____	_____	_____
Gross domestic product	国内生产总值	_____	_____	_____
real	实际	_____	_____	_____
nominal	名义	_____	_____	_____
per capita	人均	_____	_____	_____
standard of living	生活水平	_____	_____	_____
circular flow of income	收入循环流	_____	_____	_____
Households	家庭	_____	_____	_____
firms	企业	_____	_____	_____
leakages	漏出	_____	_____	_____
injections	注入	_____	_____	_____
Aggregate demand	总需求	_____	_____	_____
consumption	消费	_____	_____	_____
investment	投资	_____	_____	_____
Aggregate supply	总供给	_____	_____	_____

English	中文	Write it 3 times (English)
price level	价格水平	_____

Recall

So far you studied single markets. Bring this with you:

- One market has its own demand, supply and price.
- A whole country has **many** markets at once.

At AS, **macroeconomics** 宏观经济学 looks at the **whole** economy together —its total output, jobs and prices.

New ideas

■ 1 Measuring the economy

Gross domestic product 国内生产总值 (GDP) is the value of all goods and services made **inside** a country in a year. Two cautions:

- **real** 实际 GDP removes the effect of rising prices, so it shows the true change in output; **nominal** 名义 GDP does not. Always compare **real** values;
- **per capita** 人均 GDP divides by the population, giving the average **per person** —better for the **standard of living** 生活水平.

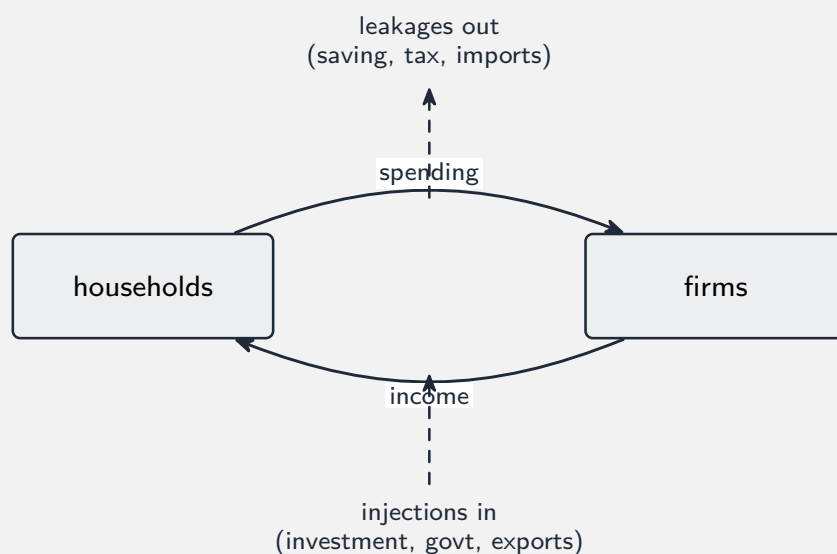
Micro-check. Why should you compare **real** GDP, not nominal? [1]

■ 2 The circular flow of income

The **circular flow of income** 收入循环流 shows money moving round the economy. **Households** 家庭 supply factors of production to **firms** 企业 and get income; they spend it, and the money flows back to firms.

Money also leaves and enters the flow:

- **leakages** 漏出 take money **out**: saving, taxation, and spending on imports;
- **injections** 注入 put money **in**: investment, government spending, and exports.



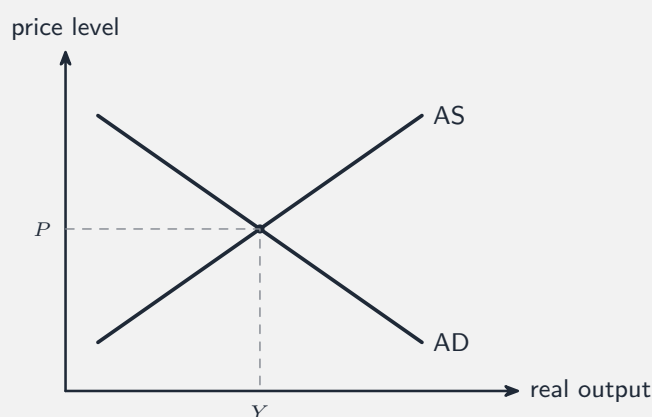
Micro-check. Is **saving** a leakage or an injection?

[1]

■ 3 Aggregate demand and supply

Aggregate demand 总需求 (AD) is total spending in the economy: $AD = C + I + G + (X - M)$ — **consumption** 消费, **investment** 投资, government spending, and net exports. The AD curve slopes down.

Aggregate supply 总供给 (AS) is total output firms will make. The economy settles where AD crosses AS, setting the **price level** 价格水平 and real output.



Micro-check. State the four parts of aggregate demand (AD). [1]

Watch out: compare *real* GDP (it removes inflation), and *per-capita* GDP for living standards. Leakages (saving, tax, imports) take money *out*; injections (investment, government spending, exports) put it *in*. $AD = C + I + G + (X - M)$.

Practice

4.1 State what **GDP** measures. [1]

4.2 Explain the difference between **real** and **nominal** GDP. [2]

4.3 State whether each is a **leakage** or an **injection**: (a) taxation, (b) investment, (c) exports. [3]

4.4 Write out the four parts of **aggregate demand**. [2]

4.5 State what AD and AS together set when they cross.

[1]

4.6 Challenge. A country's nominal GDP rose by 8% but inflation was 6%. Roughly what was the real growth, and why does the difference matter?

[2]