A-LEVEL ECONOMICS • HOLIDAY HOMEWORK 假期作业

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.

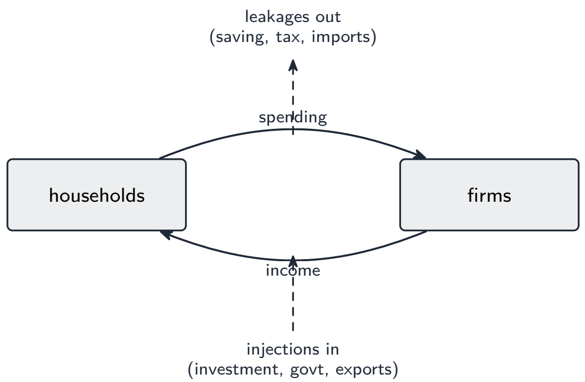
Micro-check. Why should you compare **real** GDP, not nominal? [1]

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.

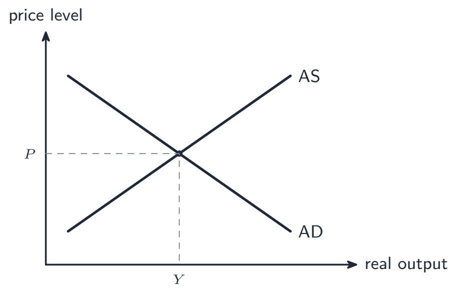


Micro-check. Is **saving** a leakage or an injection? [1]

■ 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]