

Aggregate Demand

The amount of goods and services in the economy that will be purchased at all possible price levels

Aggregate Supply

the total amount of goods and services in the economy available at all possible price levels

Business Cycle

a period of macroeconomic expansion followed by a period of contraction

Capital Deepening

Process of increasing the amount of capital per worker

Consumer Price Index

an index of the cost of all goods and services to a typical consumer (urban)

Core Inflation Rate

the rate of inflation excluding the effects of food and energy prices.

Cyclical Unemployment

unemployment that rises during economic downturns and falls when the economy improves

Depression

A recession that is especially long and severe

Discount Rate

rate the Federal Reserve charges for loans to commercial banks

Discouraged Worker

a person who wants a job but has given up looking

Frictional Unemployment

Unemployment that occurs when people take time to find a job

Full Unemployment

the level of employment reached when there is no cyclical unemployment

Gross Domestic Product

the dollar amount of all final goods and services produced within a country's borders in a year.

Hyperinflation

inflation that is out of control

Inflation

A general and progressive increase in prices

Inflation Rate

the percentage rate of change in price level over time

Inside Lag

delay in implementing monetary policy

Intermediate Goods

goods used in the production of final goods

Money Creation

the process by which money enters into circulation

Nominal GDP

gross domestic product measured in current prices

Outside Lag

the time it takes for monetary policy to have an effect

Prime Rate

rate of interest banks charge on short-term loans to their best customers

Real GDP

GDP expressed in constant, or unchanging, prices

Recession

a prolonged economic contraction

Required Reserve Ratio

ratio of reserves to deposits required of banks by the Federal Reserve

Seasonal Unemployment

unemployment that occurs as a result of harvest schedules or vacations, or when industries slow or shut down for a season

Stagflation

a decline in real GDP combined with a rise in the price level

Structural Unemployment

Unemployment that occurs when workers' skills do not match the jobs that are available

Underemployment

working at a job for which one is over-qualified or working part-time when full-time work is desired

Wage-Price Spiral

the process by which rising wages cause higher prices, and higher prices cause higher wages

