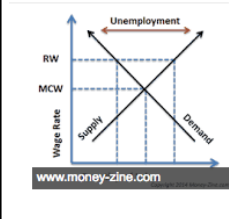
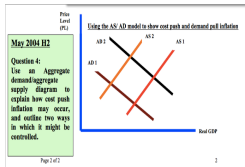


## ECONOMICS DICTIONARY

Terms: 38

# Syllabus 2.3: aggregate demand and supply

**Submariner Dictionary: Econ500 - Unit 5 2.3.2.4 2.4 2.6**

Term	Definition note the use of key terms to explain the term	Diagram. Probably better to add by hand!	Example. Add examples as appropriate.
Term	Definition:	Diagram to use:	Example:
absolute poverty	absolute poverty relates to the inability of the individual to provide his/her basic needs such as food shelter and clothing		common problem in LEDC's where individuals attempt to live on a dollar a day.
inflation - anticipated	inflation is a general rise in the price level over a given period of time		
classical / real wage unemployment	Classical unemployment. Classical, or real-wage unemployment, occurs when real wages for a job are set above the market-clearing level causing the number of job-seekers to exceed the number of vacancies.		
inflation - core	Core inflation represents the long run trend in the price level. In measuring long run inflation, transitory price changes should be excluded. One way of accomplishing this is by excluding items frequently subject to volatile prices, like food and energy.		
inflation - cost push	cost push inflation is rise in the price level due to increased costs of factor of production inputs in the economy	AS curve - show a rightward and upward shift of the curve	

### Term +Explanation

## Diagram + Example

inflation - cpi	consumer price index (sometimes referred to as rpi or retail price index) provides a % based system for measuing inflation.		index measures inflation in terms of 100 and changes in the price level are recorded in terms of % changes. This is the change in the average price of a basket of goods designed to represent the 'average family' in the economy. In Germany the index measures approx 700 goods and services. See www.destatis.de
cyclical un-employment	Sometimes referred to boom or bust economics. Cycle can be seen in the 'business cycle diagram where deficiencies in demand cause unemployment to rise.		Keynes understood the economy in this context where a lack of demand resulted in the economy operating below its capacity. Key problem here is demand deficient unemployment which can also be described as disequilibrium unemployment.
deflation	Deflation is a persistent fall in the general price level of goods and services. It is not to be confused with a decline in prices in one economic sector or with a fall in the INFLATION rate (which is known as DISINFLATION).		Using AS/AD it is possible to draw the AD shifting inward (bad deflation) or the AS shifting downward to the right (good deflation). Better to show the good deflation on the LRAS - most probably as a result of supply side policies.
demand pull inflation			

### Term +Explanation

## Diagram + Example

	1. absolute poverty 2. anticipated inflation 3. classical/real wage unemployment 4. core inflation 5. cost push inflation 6. cost push inflation 7. CPI 8. cyclical unemployment (demand deficient) 9. decile 10. deflation 11. demand pull inflation 12. demand pull inflation 13. disequilibrium unemployment 14. disinflation 15. frictional unemployment 16. full employment 17. full employment output 18. Gini coefficient 19. human capital 20. hyperinflation 21. inflation 22. Lorenz curve 23. natural capital 24. natural or equilibrium rate of unemployment 25. physical capital 26. Productivity 27. Quintile 28. relative poverty 29. CPI = consumer price index		