**Topic 1) National Income, Economic Growth & Economic Cycle**

***Use pages 1-42 from the associated study pack to answer the following:***

***What is macroeconomics?***

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***Explain the following macroeconomic targets:***

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| Macroeconomic target | Explanation |
| Growth |  |
| Inflation |  |
| Unemployment |  |
| Trade |  |

***Explain the following key terms:***

|  |  |
| --- | --- |
| Key term | Explanation |
| National Income |  |
| Gross Domestic Product (GDP) |  |
| Income per capita |  |

***What is Aggregate Demand (AD)?***

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***Explain the meaning of the following components of AD:***

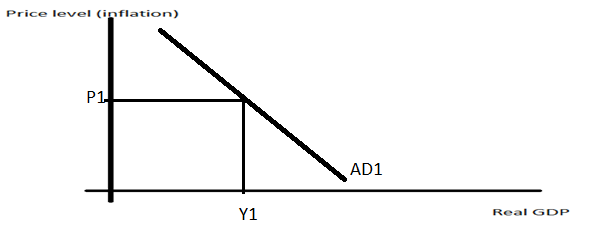
|  |  |
| --- | --- |
| Component of AD | Explanation |
| Consumers expenditure ( C ) |  |
| Capital investment ( I ) |  |
| Government spending ( G ) |  |
| Exports ( X ) |  |
| Imports ( M ) |  |

***Draw an AD curve on the axis provided:***

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***Use your diagram to explain why AD slopes downwards***

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***On the diagram above add another AD curve which shows an outward shift of AD***

***Explain 5 causes of an outward shift of AD:***

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| --- | --- |
| Causes of an outward shift of AD | Explanation |
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|  |  |
|  |  |
|  |  |

***Explain how the following will influence consumption within the economy:***

|  |  |
| --- | --- |
| Factor influencing consumption | Explanation |
| Marginal propensity to consume (Spend) |  |
| Level of real disposable income |  |
| Interest rates |  |
| Consumer confidence |  |
| Wealth |  |
| Employment/unemployment |  |

***Define the term ‘savings’***

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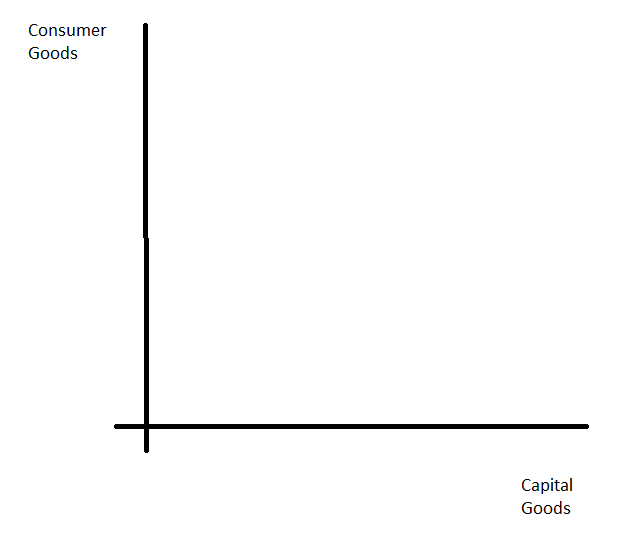
***Explain a range of reasons why people save***

|  |  |
| --- | --- |
| Reasons why people save | Explanation |
|  |  |
|  |  |
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***Define the term Investment (capital investment)***

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***Use a PPB diagram on the axis below to help you explain the impact on the economy of an increase in capital spending***

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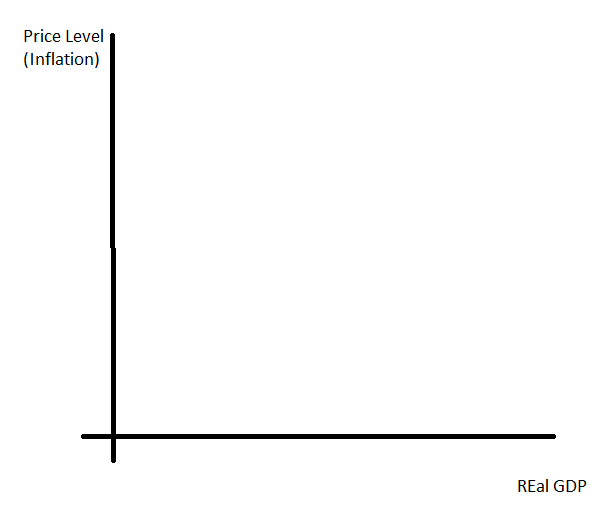
***Outline a range of reasons why capital investment spending may increase***

|  |  |
| --- | --- |
| Factors that will influence the level of capital investment spending | Explanation |
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***Explain the meaning of the key term ‘Aggregate Supply (AS)’***

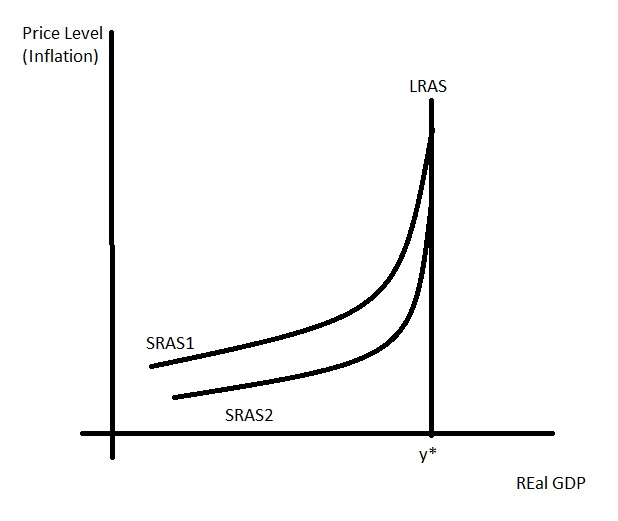
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***Explain using a diagram the difference between SRAS and LRAS***

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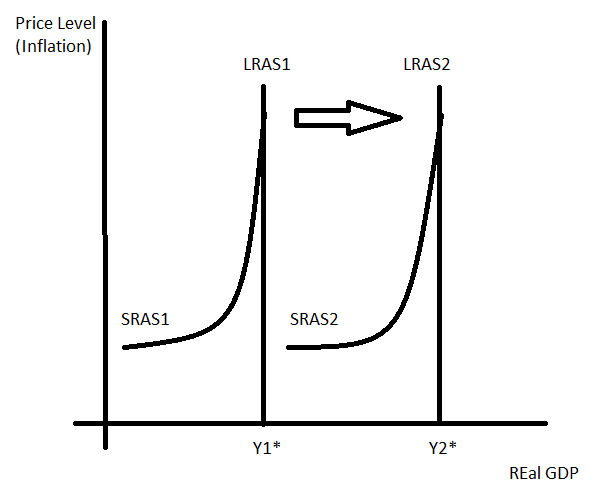
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***The diagram below shows an outward shift (increase) in SRAS. Explain a range of reasons that might explain why this may have happened***

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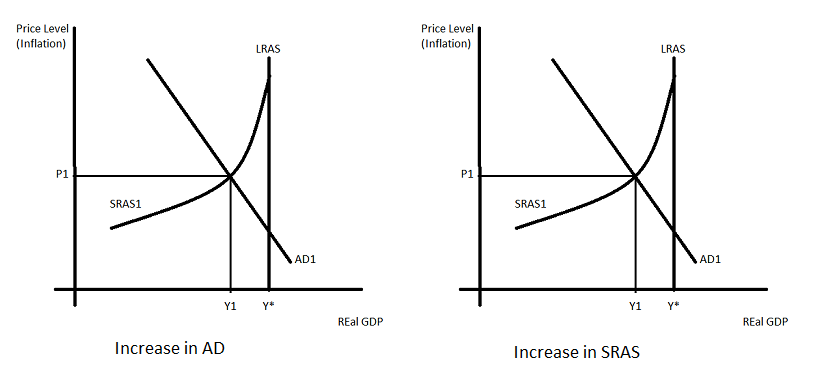
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| --- | --- |
| ***Reason for increase in SRAS*** | ***Explanation*** |
|  |  |
|  |  |
|  |  |

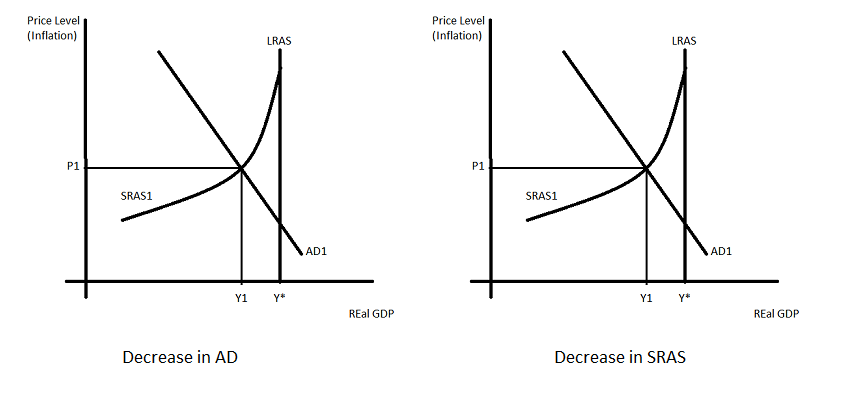
***The diagram below shows an outward shift (increase) in LRAS. Explain a range of reasons that might explain why this may have happened***

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|  |  |
| --- | --- |
| ***Reason for increase in LRAS*** | ***Explanation*** |
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|  |  |
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***Below shows 4 macro-equilibrium diagrams. Add the relevant additional line and show the impact on the macro-equilibrium point:***

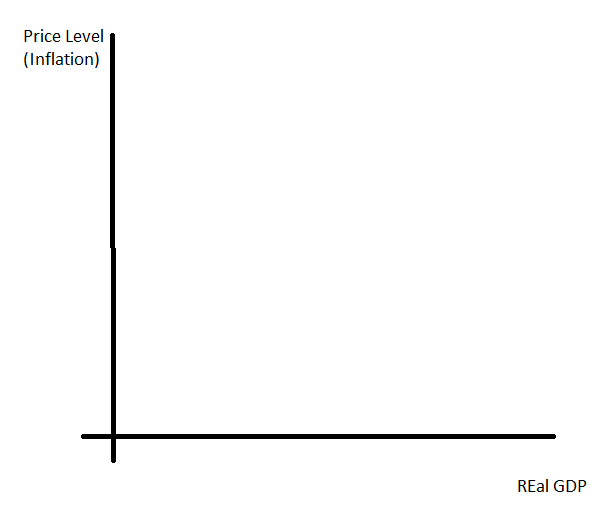
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***Define the following key terms:***

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| --- | --- |
| Key term | Explanation |
| Positive output gap |  |
| Negative output gap |  |

***Use a diagram to explain the differences between a positive and negative output gap***

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***Draw an economic cycle on the axis provided:***

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***Explain the following stages of the economic cycle***

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| --- | --- |
| Stage of economic cycle | Explanation |
| Boom |  |
| Slowdown |  |
| Recession |  |
| Recovery |  |

***Explain in detail the following key terms:***

|  |  |
| --- | --- |
| Key terms | Explanation |
| Multiplier effects |  |
| Accelerator effects |  |