

Aggregate demand	The amount of goods and services in the economy available at all possible price levels.
Aggregate supply	The total amount of goods and services in the economy available at all possible price levels.
Contraction	Period of economic decline marked by falling real GDP.
Depreciation	The loss of the value of capital equipment that results from normal wear and tear, or, a decrease in the value of a currency.
Gross domestic product	The total value of all final goods and services produced in a particular economy.
Gross national product	The annual income earned by U.S.-owned firms and U.S. residents
Leading indicators	Key economics variables that economists use to predict a new phase of the business cycle.
National income accounting	A system that collects macroeconomic statistics on production, income, investment, and savings.
Recession	A prolonged economic contraction.
Stagflation	A decline in real GDP combined with a rise in the price level.

Technological progress

An increase in efficiency gained by producing more output without using more inputs.

Trough

The lowest point in an economic contraction, when real gross domestic product stops falling.

Real GDP takes which of the following into account?

- a. changes in prices
- b. changes in supply
- c. changes in demand
- d. changes in aggregate demand

a. changes in prices

Which of the following is an example of a durable good?

- a. a hair cut
- b. a pair of jeans
- c. a refrigerator
- d. a pizza

c. a refrigerator

A recession is

- a. an especially long or severe economic contraction.
- b. a prolonged economic expansion.
- c. a prolonged economic contraction.
- d. a period of steady economic growth.

c. a prolonged economic contraction.

Capital deepening is the process of

- a. decreasing the amount of capital per worker.
- b. selling off obsolete equipment.
- c. increasing consumer spending.
- d. increasing the amount of capital per worker.

d. increasing the amount of capital per worker.