Accelerator
The accelerator shows the relationships between the level of net investment and the rate of change of national income.

Aggregate demand
The aggregate demand is the total planned demand for final goods and services in an economy.

Automatic fiscal stabilizers
Fiscal policy automatically reduces the fluctuations in national income in the economic cycle as tax revenues rise in a boom and government spending on benefits rises in a recession.

Aggregate supply
The total planned output of final goods and services in an economy.

Balance of payments
This measures the value of the economic transactions from trade between one country and the rest of the world.

Comparative advantage
A country has a comparative advantage in the production of a product if it has a lower opportunity cost when it produces it compared to other countries.

Consumer Price Index
This is a measure of inflation.

Consumption
Consumption shows the level of planned spending by households on final goods and services.

Cost-push inflation
Cost-push inflation occurs when higher costs force producers to put up their prices.

Cyclical unemployment
Cyclical unemployment occurs when people are unemployed due to a lack of demand in the economy.

Demand for money (liquidity preference)
The demand for money shows the amount of money that people want to hold at each and every interest rate, all other things being unchanged.

Demand-pull inflation
Demand-pull inflation occurs when the aggregate demand is greater than the aggregate supply, thereby pulling up prices.

Exchange rate
An exchange rate is the price of one currency in terms of another.

Fiscal policy
Fiscal policy uses changes in government spending and taxation and benefit rates to influence the economy.

Fisher equation of exchange
The Fisher equation of exchange states that MV=PT. The quantity of money multiplied by the velocity of circulation equals the average price level multiplied by the number of transactions in an economy in a given period.

Floating exchange rate system
This occurs when the external value of a currency is determined by market forces of supply of and demand for the currency.

Frictional unemployment
Frictional unemployment occurs when people are between jobs.

Gini coefficient
The Gini coefficient measures the extent of income inequality in an economy.

Gross domestic product (GDP)
The gross domestic product (GDP) measures the value of final goods and services produced in an economy.

Inflation
Inflation occurs when there is a persistent increase in the general price level.

Injection
An injection is spending into the economy in addition to consumption; injections increase the aggregate demand.

Involuntary unemployment
Involuntary unemployment measures the number of people who are willing and able to work at the given real wage but who are not in employment.

J curve
The J curve effect shows how a depreciation of a currency can make the balance of payments worse in the short run before it improves.

Laffer curve
The Laffer curve shows the relationship between the tax rate and the level of tax revenue.

Liquidity preference
Liquidity preference (the demand for money) shows the amount of money that people want to hold at each and every interest rate, all other things being unchanged.

Marginal efficiency of capital (MEC)
The marginal efficiency of capital (MEC) shows the expected rate of return on investment projects.

Multiplier
The multiplier shows how an increase in the aggregate demand leads to a greater (multiplied) increase in national income.

Phillips curve
The Phillips curve shows the short-run and long-run relationships between inflation and unemployment.

Progressive tax system
This occurs when the average rate of taxation increases as income increases.

Protectionism
Protectionism occurs when a government protects its domestic firms against foreign competition using measures such as tariffs and quotas.

Quantity theory of money
The quantity theory of money states an increase in the quantity of money in the economy leads to higher prices. The money supply has a direct and proportional relationship with the price level.

Quantitative easing
Quantitative easing occurs when the central bank buys assets using money it has created; this increases the money supply in the economy.

Quota
A quota is a limit to the amount that a firm can produce or sell. It may be used to limit sales of foreign products in an economy.

Tariff
This is a tax paid on foreign imports. It is a protectionist measure.

Terms of trade
The terms of trade measure the prices of exports from a country compared to the prices of imports into the country.

Voluntary unemployment
Voluntary unemployment occurs when people who are looking for work are not yet willing to accept work at the given real wage rate.

Withdrawal
A withdrawal is a leakage from the economy and it reduces the aggregate demand.