

Gross Domestic Product (GDP) Consumption, business investment, government spending and net exports all make up GDP. Investment expands the set of possible production, which increases the full-capacity level. A new environmental regulation prohibits extraction of a large oil reserve this would decrease the full-capacity level of GDP. An advance in energy efficiency by a nation's businesses would increase the full-capacity level of GDP.

Production Possibilities Curve or Frontier (PPC, PPF) A point inside the curve is inefficient because of wasted resources, points on the curve are the maximum amount that can be produced with the given resources, and a point outside the curve is unattainable with current resources.

Aggregate Supply (AS) curve A point that is represented by a high price and high quantity on the curve is least sensitive to output based on changes in price level. The curve shows the relationship between price level and output. An AS curve may shift left if higher wages increase input costs as in the case of unionization. An increase in wage levels would shift the AS curve to the left but not decrease the full-capacity level of the economy. A decrease in available natural resources would shift the AS curve to the left and also reduce the full-capacity level of the economy.