Glossary

1. **Capital**: Real capital refers to the stock of equipment and structures used in production. Financial capital refers to funds needed of acquire real capital.
2. **Capital labor ratio:** The amount of capital available for use by each worker, the capital stock divided by the labor supply.
3. **Capital output ratio:** the ratio of total capital stock to annual GDP.
4. **Consumption:** Household or family expenditure on goods and services to meet immediate needs. In macroeconomics, the total spending by individuals or nation on consumer goods such as food, clothing, furniture, cars, houses etc. in a given period is called consumption.
5. **Economic growth:** Steady increase in aggregate output or national income over time as a result of growth of labor force, capital accumulation and technological improvement. It is measured usually by rate of increase of national real GDP.
6. **Efficient units of labor:** An effective measure of the labor force that incorporates both the number of workers and efficiency of workers- a concept used in Solow Model of economic growth. A way of measuring labor input that takes into account of worker's skill.

7. **Endogenous variable:** A variable which is explained by a particular model and whose value is determined by the model's solution.
8. **Exogenous variable:** A variable that a particular model takes as given and whose value is independent of the solution suggested by the model. A variable that is determined outside a particular model.
9. **Growth accounting:** A method of calculating the shares of growth in per capita GDP that are attributable to growth in land, labor, capital and total factor productivity.
10. **Labor:** The physical energy, manual skill and mental ability that humans apply to the production of goods and services.
11. **Neo Classical growth model:** The Solow growth model which focuses on the aggregate production function to show how capital deepening (i.e. a growing capital labor ratio) leads to steady growth in the medium term and technological progress leads to self-sustaining growth of potential real GDP in the long run.