

Self Reflection on Week 1 Tasks

This week the most important concept that I learned about money was “current economics”, specifically about unemployment, Paulson bailout, housing price conundrum, credit crisis and the EU. This topic was highly insightful to me as it helps explain and ration a lot of the macro-economic decisions taken by our governments. Additionally it also helped me understand the ways in which economic numbers can paint a false picture. Taking the case of unemployment ratio. Through the video on Khan Academy I learnt that there exists more than one definition of unemployment ratio (headline unemployment ratio u_3 , u_4 , u_5 etc). Further I learnt how the HUR can be misleading and how it can be misused by the govt and news organizations to paint a false picture of reality. Here on when I encounter the HUR in headlines, I have learnt no look u_4 , u_5 too, in order to get a better, and more realistic understanding of the state of employment. Further I also learnt about the housing price conundrum, and got a basic understanding of how prices of assets such as houses can increase, even when effective supply increases through reduction to barriers of entry. These reduction in barriers also helped explain a part of the reason as to why the 2008 crisis happened. I don't find any direct immediate application of this in my life, however sometime in the future, applying the same concept to another asset , say silver, could help me spot a “bubble” and take actions accordingly.