# Dessa Shapiro

# **Unit 4 Overview**

**Over the course of these units we will address the following questions.**

**What does GDP tell us? What doesn’t it tell us? Is there a better way to measure an economy?**

Tells us how much money is circulating through the economy. It only accounts for money exchanges through official means, ignores the underground economy and untaxed money made illegally. There are ways which are measured for inflation and per capita that are better. It ignores what the money is being spent on and the distribution of wealth.

**Nominal GDP vs. Real GDP** - Normal- just the numbers/ raw amount Real— Adjusted for inflation

**GDP per capita** - The GDP per individual person in a country// accounts for population

**Green GDP** - GDP minus the cost of the environmental impact.

**What causes unemployment? What are the different types?**

Unemployment can be caused by economic depression, recessions, and other factors such as technological advancements.

Types

* Frictional – between jobs
* Structural – jobs no longer in demand
* Cyclical – economic cycle

**What causes inflation? What are the different types?**

Inflation is caused when there is too much money circulating and money loses values as prices increase. **Inflation – the two kinds, who it hurts and who it helps, CPI** - Demand Pull (too much money and too little supply) Cost Push(Increased cost of making and selling goods) CPI: consumer price index(this is what measures inflation they give surveys about the price of things from the past and then the price now)

**What causes poverty? What causes inequality? How can we address these economic problems in our society? How can we use our knowledge of politics to come up with effective solutions?**

**How does the federal government use fiscal and monetary policy to achieve its economic objectives? Has the federal government's use of fiscal and monetary policy made inequality worse?**

**Terms:**

**HDI** - The Human Development Index (HDI) measures each country's social and economic development by focusing on the following four factors: mean years of schooling, expected years of schooling, life expectancy at birth, and gross national income (GNI) per capita.

**Keynesian v. Classical economics** - Classical (Markets are naturally self regulating, no government intervention, recessions are temporary, wages and price are flexible, against minimum wages, welfare, government assistance) this view is challenged by the great depression. Keynesian/demand side economics(Economy is inherently unstable, does not self regulate, recession can be long and permanent, need major government intervention, wages and prices are sticky/fixed. Favor or welfare and gov assistance. Challenged by Stagflation(when the economy is stagnant gdp going down and we are stuffing from inflation))

**Debate over how best to deal with our national debt** -changes interest rates depending on the dept.

**Debt vs. deficit** - A budget deficit occurs in years the government's spending is greater than its revenues (tax receipts)...If we spend less than we earn we have a surplus .The national debt is all of the years of deficit spending added together.

**Entitlements** - thing like social security and medical

**Aggregate demand and aggregate supply** - Aggregate demand(the total demand for goods and services) Aggregate supply(total supply of all goods and services.. Kaines (everyone's working and demand is increasing… it does not change the gdp but increases inflation))

**How both the Fed and Congress dealt with the financial crisis of 2008 and how they are dealing with the current economy** -

**Inequality**

**Poverty – causes and consequences**