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## The Three Goals of Any Economy

1. Promote economic growth
  - Provide more jobs for more people
2. Limit unemployment
  - Unemployment limits growth by inhibiting production and decreasing consumer spending
3. Limit inflation
  - High inflation discourages long-term investment

## How Do We Check Up On the Economy?

- Economists love them some statistics on production, income, investment, and savings
  - **National income accounting** = a method of economic analysis that looks at the overall health of an economy by analysing certain figures
- **Gross Domestic Product(GDP)** = the market value of all final goods and services produced *domestically* annually
  - Only accounts for **final goods**
    - \* **Final goods** = the end-result of production/labor
      - This prevents GDP from being inflated by counting each step in production as its own good
  - Formula for calculating *change*

$$\% = \frac{GDP_f - GDP_i}{GDP_i} \times 100$$

- GDP is just a metric of total domestic production
  - \* This leads us to believe that larger countries are “better” than smaller production
    - To avoid that misconception, we use GDP-per-capita

$$GDP_{per-capita} = \frac{GDP}{population}$$

- According to the almighty authority on economics, GDP-per-capita is the *best* indicator of standard of living

## Why Do Certain Nations Have Higher GDP's?

- The ultimate authority says: **productivity**
  - **Economic system** = capitalism is inherently superior to your inferior commie system
  - **Property rights** = because the factors of production are privately owned, we are all somehow more efficient
    - \* *Don't ask why.*
  - **Capital**
    - \* **Capital stock** = essentially just a synonym for physical capital
    - \* **Human capital** = knowledge, skills, education, etc
  - **Natural resources** = oil and

## What Doesn't GDP Measure?

- GDP doesn't account for
  - Intermediate goods
  - Non-productive transactions
    - \* *e.g.*
      - Stock market purchases
      - Used goods
  - Illegally traded goods