Office hours:

- Tuesday, Thursday 11:00 to 13:00

Notes:
Governmental policies:

1. Physical: Taxes, etc..
2. ???

5 Sept: (Ch. 4 textbook)
More income = more demande

Key economy: Income, price level, implement level

GDP = final goods and services of a country in a year.

Consistent rise in price level → stuff cost more hehexd

Indicators of an economy:

1. Rate of growth
2. Rate of inflation
3. Rate on unemployment
4. Others: Interest rate, foreign exchange rates, wage rates, government budgets, capital investment, etc

Definitions:

1. Output: a measure of the total quantity of goods and services produced
2. Price level: price or the level in macroeconomics is the weighted average of the market prices of all final goods and services produced. The price level reflects the costs of production in the economy.
3. Employment: is a measure of the number of jobs involved in the production of goods and services, or. The number of hours of labour input required to produce the economy's output

REAL GROWTH = Same labours are used to produce more stuff compared to the past
REAL GDP: quantity of final goods and services produced in the economy in a specific time period, such as 1 year, measured in the market prices of a base year 2007

Standard of living growth = More consumption in goods and services.
Economic growth = real GDP is growing and the rate of economic growth is the annual % change in real GDP - the first key indicator of economic performance.

Formula:
Rate of growth of real GDP = (Real GDPyear2 - Real GDPyear1) / Real GDPyear1 * 100

Example: EXAM
2016, real GDP canada measured in 2007 dollars was 1,781$. 1 year earlier, 2015, real GDP in 2007 dollars was $1,751

Rate of growth = *Use formula*

Price level:
weighted average of prices of a wide variety of goods and services
Consumer price index (CPI): for exaple compares the cost of a fixed basket of goods and services bought by the typical housegold at a specific time with the cost of that same backet of goods and services in the base year.

Formula:
COst in 2011 / cost in 2006 * 100

Example: 2006 living cost $80,50, 2011 cost is $87,20

SPI2006 = $80,50/80,50 * 100 = 100

80,20/80,50 * 100 = 108,3
So an augment of 8,3%

Inflation:
a persistent rise in price
Wobsite www.statcan.gc.ca and select CPI

Example: CPI 126.8 in 2015 and CPI 128,7 in 2016. Calculate inflation rate for 2016?
(128,7-126,8)/126,8 * 100 = 1.5%

Employment: (Ch. 4 textbook)
Number of adults (15+ years old) employed full time and part time and self employed

Labour force: adults employed + not employed but actively looking for work
Unemployment: number of adults not working but looking for work

Participation rate: Labour force / Population 15+ yo * 100
Unemployment rate: Labour force - employment / labour force * 100
Employment rate: Employment / population 15+ yrs * 100

12 Sept. 2019
Real GDP: quantity of goods and services produces by the econmy
Nominal GDP: it is the market value @ the current prices of all final goods & services in a specific period of time.

Nominal GDP: (price * quantity)
Real GDP : Only depends on quantity

GDP deflator = Nominal GDP / Real GDP * 100
Real GDP year t = Nominal GDP year t / GDO deflator * 100

IN BASE YEAR NOMINAL GDP = REAL GDP

GDP deflator: covers all goods & sevices in GDP

IF **DEFLATION nominal GDP < Real GDP & GDP deflator is negative**

Per capita:
Adjust Real GDP to population:
Real GDP / Population

The larger the population the lower the productivity. Per Capita real GDP: an indicator of standard of living

The reductions in per capita real GDP during recessions motivate stabilization policy

Limitations of Real GDP: Externalities - not

- Excluded in GDP: home cleaning, maintenance, unreported jobs, economy

GNP : includes the earning of ….
GDP:

Exercice 4.4:

Nominal GDP:

Service: 10000 - 1000 = 9000$
Goods: 5000 - 1000 = 4000$

Both: 13000$

Exercice 4.5:

a) Y = C + I + G + (export - import)
   Y = 2500 + 600 + 800 + (1200 - 1100) = 4000
b) Net domestic income = Empoy income + Business income + investment income
   Net domestic income = 2800 + 1050 + 600 - 800 = 3650
c) N. GDP income = net domestic income + net indirect taxes + capital consumption allowance
   3650

Exercice 4.6:

a) Y = C + I +G + x - m
   => I = y - (c + G + x - m)
   = 2000 - 1700 50 - 40
   = 210

Exercice 4.7:

a) 825 - 750 / 750 * 100 = 10%
b) 2012 = 750 / 104.0 * 100 = 731
   2013 = 825 / 112.0 * 100 =
c) Af

<u>17 Septembre 2019: (Chapter 5 in textbooks)</u>

```
If (price == “high”)      {
        Supplier wants to provide more;
}       else if (price == “low”) {
        Supplier wants to provide less;
}
```

Equilibrium: ???
Main inputs: Labous, capital, lands.

```
If (Equilibrium == Main inputs)         {
        Economy is ????;
}
```

AD = planned (C + I + G + X - MI) at diff P levels
AS = P at diff rates of real output
P = general price level

Aggregate demand (AD)

Interest rate effect:

- /\ p → /\ i → /\ finance cost → \/ Expenditure

<u>09 Septembre 2019:</u>

I_t = (p_t - p_t moyen)/p_t

CALCULATE AD AND AS CALCULATION IN FINAL EXAM

Potential GDP grows slowly overtime

Natural disaster or war, Potential GDP goes down \/

Output gap = Y-Y_p / Y_p * 100

INFLATION GOAL = 2%;

Actual output higher /\ than potential output = people working more than they should (overtime)

MID TERME PENCIL NOT PEN

Aggregate expenditure:

Planned autonomous expenditure = A_0

Planned induced expenditure = $(c-m)Y$

Then $AE = A_0 + (c-m)Y$

The multiplier:

Changes in Y_e are caused by deltaA (slope of A)

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Solving 2017 mid term EXAM:

1) D
2) A
3) D
4) Real GDP = Nominal GDP/GEP Def. So the answer is B (falls because the denumerator is greater than the numerator)
5) C, beacause it is the base year, CPI_t = Cost of basket_t / Cost of basket_(t-1) * 100 SO FOR THIS QUESTION → CPI_2010 = Cost of basket_2010 / Cost of basket_2010 * 100 = 100;
6) C, Because CPI_2011 = Cost of basket_2011 / Cost of basket_2010 * 100 = 113
7) D
8) (Labour force - Employed) / Labour force, SO the answer is C
9) B
10) B
11) D
12) B
13) D

14) A, Because find Yeq → 150 - y = 10 + y → y=70 SO P = 150 - y → 150 - 70 = 80
15) C, Solved in 14)
16) A
17) C, Output gap = y_eq - y_p != 0, if this is the case we have unplanned inventories
18) B
19) D
20) D
21) B
22) B
23) A
24) D
25) D
26) A
27) B
28) C because it has the biggest multiplier (multiplier impacts GDP) so (1 / (1 - slope of AE)) → (1 / 1 - 0.9) = 10
29) D
30) A, (induced is consumption and import)
31) A, because Y = 200 + 0.6Y → Y = 500
32) A
33) D because (mpc - mpm = 0.65)
34) A
35) A
36) B
37) C
38) D (because if you are producing more that Aggerate expendiure then you are hiring more people so it is costly that's why prices rise)
39) C
40)