

# Introduction to Macroeconomics

- Macroeconomics refers to the economy's total demand, total supply.....extensive use of “aggregate” ....aggregate demand, aggregate supply
- Macro economy usually refers to a country, but not exclusively...EU economy, euro zone economy, OECD, BRICS, newly emerging economies

- WHAT DETERMINES THE TOTAL SUPPLY OR PRODUCTION CAPABILITY OF THE ECONOMY
- INFRASTRUCTURE, MACHINERY, SKILLS, TECHNOLOGY, TAX SYSTEM, AMOUNT OF PRODUCTIVE RESOURCES
- COULD WE PRODUCE IMMEDIATELY 20% MORE OUTPUT?

- SOURCES OF SPENDING OR DEMAND OR PURCHASING OF THE OUTPUT
- CONSUMERS, ENTERPRISES/INVESTMENT, GOVERNMENT, BUYERS OF EXPORTS.... $C+I+G+X-M$

- Substantial Govt role in macro economy
- Major player, expenditure is a large % of total demand
- Taxes constitute a large element of total economic activity
- Govt as a manager of the macro economy
- Often people regard Govt as “responsible” for macro performance/employment... and hence responsible for “managing” that performance

- Macroeconomic issues and objectives
- Gross domestic product (and its associated measures eg GNP) is a significant macro issue
- GDP.....monetary value of all the goods and services produced in the economy
- Quantity of production determines availability/amount of employment

- ....GDP determines living standards...quantity of goods and services available to people
- Amount of spending and employment determines amount of tax receipts
- Many Government policy issues are measured as % of GDP, eg borrowing, debt, social expenditure
- GNI modified

- Range of macroeconomic issues and objectives
- Growth .....continuing increase in GDP.... More goods and services available to people
- Orderly or stable pattern of growth...avoid fluctuation pattern
- Over five years assume average GDP growth is 4% per year

- Prefer 4% each year or small range eg 3.5% to 4.5%...adding to the 20%
- Instead of +8%, -4%, +9%,0%,+7%
- Better use of resources, efficiency, planning, certainty
- Low unemployment (in past full employment)
- Low inflation (now :want it higher than currently experienced before Ukraine.... since then too high and want it lower)



- Balance of payments/exchange rate....external link with rest of world (Ireland no longer has an exchange rate under its control, euro)
- Could add...public financial stability (EU fiscal rules, as well as prudent policy)
- Could add... equity/equality
- Could add...sustainable in an environmental protection/green manner

- Summary of objectives
- Growth
- Stable growth
- Low une
- Low inflation
- b/p, exchange rate
- Public finances
- Equity
- Green/sustainability

- Conflicts in objectives
- Difficulties in policy
- Tradeoffs
- Eg equity and growth
- Eg unemployment and balance of payments
- Macro policy an “art” as well as a “science”
- Disagreement on appropriate policies

- Course content
- Introduction
- Macro data, terminology
- Measurement of GDP
- Role of GDP as an indicator of economic welfare
- Aggregate demand/aggregate supply/potential GDP/ determinants of long term growth

- Circular flow
- Equilibrium national income, determination of national income
- Aggregate demand/aggregate supply model
- Multiplier
- Business cycle, fiscal policy and aggregate demand management
- Money, functions, role, banking, central banks, monetary policy
- Inflation

- Long run performance
- Different schools of macroeconomic theory and policy, supply side, demand side policies
- Task
- Discover recent and long term performance of Irish economy growth and expected future performance
- CSO, DEPARTMENT OF FINANCE, ESRI,CB

# Covid-19 and macroeconomy

- Covid-19 situation not typical (exceptional???)
- GDP decline/increase
- Very high unemployment
- Restrictions on economic activity
- Big impact on public finances and borrowing
- $S_r$  and  $I_r$  impact

# Ukraine war and macroeconomy

- Supply side problems
- Inflation
- Energy prices
- Impact on macroeconomy and public finances
- Sr and Ir impact



# Sessions

- 1 Introduction
- 2 Measurement of GDP , GNI modified, indicator of wellbeing
- 3. Aggregate demand, equilibrium national income, aggregate demand management, multiplier
- 4. Money and monetary policy
- 5 aggregate demand and supply mode
- 6. Inflation
- 7. Employment, unemployment

# Task

- THE FACTS AND FIGURES OF THE MACROECONOMY
- USE THE CSO WEBSITE TO IDENTIFY THE GDP, GNP. GNP modified etc..... over the past few years AND LONGER TERM
- [https://www.cso.ie/en/media/csoie/releasespublications/documents/economy/2013/nie\\_2013.pdf](https://www.cso.ie/en/media/csoie/releasespublications/documents/economy/2013/nie_2013.pdf) (table A)
- National income and expenditure 2020 2021
- Economic and fiscal outlook Budget 23