Topic-1: GDP

- ✓ Macroeconomics tells us something about the economy as a whole. Statistics such as GDP, unemployment, inflation, etc. are macroeconomic.
- ✓ A macroeconomist is interested in devising policies to promote high output level, high employment, and low inflation.
- ✓ **GDP** or **gross domestic product**, is the market value of all final goods and services produced in a country in a given time period.

  This definition has four parts:

  - Market value
  - Final goods and services
  - Produced within a country
  - In a given time period
- ✓ Gross domestic product measures both the total income in the economy and the total expenditure on the economy's output
- ✓ **Nominal GDP** = Current year price * Current year quantity; **Real GDP** = base year price * Current year quantity
- ✓ GDP includes **both tangible goods and intangible** services.

Topic-2: CPI

- ✓ The **consumer price index**, or **CPI**, measures the average level of the prices of goods and services consumed by an urban family.
- ✓ The steps involved in calculating the consumer price index include, in order:

  Fix the basket→find the prices→compute the basket's cost→choose a base year and compute the index→compute inflation rate
- ✓ The CPI is used **to monitor changes in the cost of living**
- ✓ When the CPI increases, the typical family has to spend more money to maintain the same standard of living.
- ✓ CPI is not a perfect measure of the cost of living. Because, it has some biases.

Topic-3: Unemployment

- ✓ **Unemployed:** people who were available and not working but who have looked for work during previous 4 weeks.
- ✓ **The labor force** is the total number of workers, including the employed and unemployed.
- ✓ **Frictional unemployment** is unemployment that arises from normal labor market turnover.
- ✓ **Structural unemployment** results because the composition of the labor force does not respond immediately or completely to the new structure of job opportunities.
- ✓ **Cyclical unemployment** is caused by a decline in total spending and is likely to occur in the recession phase of the business cycle.
- ✓ **Demand Pull Inflation:** Changes in the price level are caused by an excess of total spending beyond the economy's capacity to produce.
- ✓ **Cost-Push Inflation:** Rising prices in terms of factors that raise per-unit production cost at each level of spending.

- ✓ **Rule of 70:** Approximate number of years required to double real GDP = (70 / annual percentage rate of growth).

If real GDP was $ 200 billion in some country last year and $ 210 billion this year, the approximate number of years required to double real GDP would be **14 years.**

- ✓ **Peak:** at a peak business activity has reached a temporary maximum, the economy is at full employment.

  The price level is likely to **rise** during this phase.

Topic-4: Money

- ✓ Money has three functions in the economy:
  - Medium of exchange
  - Unit of account
  - Store of value
- ✓ **Commodity money: has intrinsic value**, **Fiat money: has no intrinsic value**
- ✓ **Increasing reserve requirement decreases the money supply**
- ✓ **Increasing the discount rate decreases the money supply.**
- ✓ Expansionary monetary policy means: Buying government securities, reducing required reserve ratio, and reducing the discount rate.
- ✓ Contractionary monetary policy means: Selling government securities, increasing required reserve ratio, and increasing the discount rate.

Topic-5: Demand and Supply

- ✓ Demand curve is negatively slopped, Supply curve is positively slopped.
- ✓ Equilibrium point is set where **quantity demand = quantity supply**. In the market equilibrium diagram we set ***price in the vertical axis*** and ***quantity in the horizontal axis***.
- ✓ Shortage means **quantity demanded> quantity supplied**.
- ✓ Surplus **quantity supplied > quantity demanded.**
- ✓ If the price in a market happens to be **above** the equilibrium price, there will be **surplus** and the price will tend to **fall**.
- ✓ If the price in a market happens to be **below** the equilibrium price, there will be **shortage** and the price will tend to **rise**.
- ✓ A substitute is a good that can be used in place of another good. When the price of one good increases and the demand for another good increases, then these two goods are called substitutes.
- ✓ A complement is a good that is used in conjunction with another good. When the price of one good increases the demand for another good decreases.