Class Outlines
August 21, 2001 and August 23, 2001

August 21, 2001

I. Pass out syllabus

August 23, 2001

I. Economic variables we want to explain in this class.
   a. Output/production
   b. Prices
   c. Unemployment
   d. Growth of an economy

II. To explain output, we use gross domestic product. GDP is the final market values of all goods and services produced in a country during a given time period (usually a year).
   a. An example was done related to the sale of a loaf of a bread
   b. If I buy a used car, the sale of the car does not contribute to GDP since we only count goods that are produced in the current period.

III. There are three ways to calculate GDP.
   a. GDP is the final market value of all goods and services produced during the current time period.
   b. GDP is the sum of value added by each producer along each stage of production.
   c. GDP is the sum of income received by everybody in producing goods and services in the economy. In this way, production results in income. The two are different measures of the same number.

IV. GDP. Real versus nominal GDP.
   a. Nominal GDP simply measures the quantity of goods produced during the current period times current prices. Because prices typically increase over time, nominal GDP should increase over time. This does NOT mean a country is more productive.
   b. To control for rising prices, real GDP is the quantity of goods produced during the current period times constant prices. Typically a base year of comparison is selected.
   c. An example was done for an economy in which the only good was cars.