GDP: Consumption + Private Investment + Government + Net Exports

GNP: GDP-Factor income paid to other countries+ Factor income earned from other countries

National Income: GNP-Depreciation, OR wages+rent+interest+profit
(Also called Net Domestic Product)

Personal Income: National Income + income received but not earned – income earned but not received

Disposable income: Personal Income-Personal Income Taxes

Net Private Investment: Gross private investment-Depreciation

Unemployment: #unemployed/labor force

Labor force participation: Labor force/civilian aged working pop

Employment to population ratio: #employed/civilian aged working pop

Underemployment rate: #employed + #discouraged + #involuntary part time/Labor force + #discouraged

CPI: value of the market basket in current year/value of the market basket in base year prices

Inflation: CPI(new)-CPI(old)/CPI(old)

Real Income: Nominal Income/CPI

Real Interest Rate: nominal interest rate-inflation rate

Total Production=Total Income=Total Spending

Net Taxes= Taxes-Transfer Payments-Net Interest

Leakages: Savings+Taxes Injections: Ip+G

Disposable Income= Total Income-Net Taxes

Yd=C+S

S=Yd-C (the short run way to look at it, don't spend what I save)
C=Yd-S (the long run way- what I am not saving I will spend)

Total demand for loanable funds= Ip+ (G-T)

C=(a+(mpc x Yd)

Aggregate Planned Expenditures/Total Spending= C+Ip+G+NX

Multiplier=(1/1-MPC)

Tax Multiplier= (-MPC/1-MPC)

Economy is healthy if:
-steady and sustainable growth
-full employment
-stable prices/inflation

Opportunity cost: What's given up/what's gotten

4 Resources:
Land, Labor, Capital, Entrepreneurship

Circular flow of wealth: dollars do not disappear, but they can be concentrated in one area of the chart

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GDP: The value in dollars of all the final goods and services produced for the market, within the country's boarders, during a given time period

Potential GDP: How much we should be able to produce given our resources and state of technology (shown by the PPF)

Real GDP: not influenced by inflation (adjusted for the value of the dollar)
Nominal GDP: based on the current value of the dollar
***seasonally adjusted, annualized

Expenditure Method: Consumption + Private Investment + Government+Net Export
Value Added: The value added in each step of the process
Factor Income Approach:
BEA calculates the GDP every economic quarter

Unemployment: To have actively looked for work in the past 4 weeks or you have been laid off/waiting to be called back

Employed: Work at least 1 hour per week

Discouraged Worker: A person who has dropped out of the labor market because he/she couldn't find a job

Civilian working age population: over 16 minus those on active duty and those institutionalized

Voluntary unemployment: leave jobs to look elsewhere
Involuntary unemployment: something has changed to make your work not needed

Frictional unemployment: short term, "between jobs", or just entering the labor market
Structural Unemployment: Job skills are no longer needed in that location
>>>Seasonal unemployment: Only have a job in the winter, etc.
Cyclical Unemployment: BAD: caused by changes in the business cycle, due to changes in the production of the economy, during recessions

Full employment: No cyclical unemployment or inflation
Natural Unemployment: The unemployment rate when economy is at full employment

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Consumer Price Index (CPI): calculated monthly by bureau of labor stats, assesses the stability of the economy

Market Basket: everything the average urban household buys
-rent, utilities, auto, food, education, clothes, entertainment, childcare, etc
-can include used goods
-changed every two years, but the base year was '83. Seasonalized (Christmas, etc)

Core CPI: Goods whose prices don't change often (much more stable)
Full CPI: Includes heavily fluctuating items (gasoline, etc.)
Inflation: The rate at which prices change!
Means that prices are increasing on average
Inflation rate is used to index wages and social security benefits, "cost of living changes"

Nomminal Income: What your paycheck says (100$)
Real Income: Shows your purchasing power (what can I buy with my income?)

Ways to determine whether income increases:
-compare the %Δnominal income and inflation rate
-calculate real income in both years and compare

Unexpected High Levels of inflation: