Interpreting the macroeconomic scenario

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The course

• 3 parts:
  ➢ Macroeconomics
  ➢ Economics of pensions
  ➢ Stata

• Goals
  ➢ Understand interconnections in Economics
  ➢ Interpret current events
What macroeconomics is about

- Macroeconomics: the study of structure and performance of national economies and government policies that affect economic performance
- Issues addressed by macroeconomists:
  - The level of output
  - Economic growth
  - Unemployment
  - National saving rate
  - Budget deficit
  - Macroeconomic policy
  - The trade deficit
- Aggregation: from microeconomics to macroeconomics
Some topics

• The National Economy:
  ➢ GDP and its components
  ➢ Measures of macroeconomic performance: output, employment, and price stability
  ➢ Productivity and output
  ➢ The sources of economic growth
Some questions you will answer

• What is Gross Domestic Product (GDP)? Why do we care about it?
• How do we measure standards of living?
• What is the definition of the major expenditure components?
• How do these components differ across countries?
• What is the difference between ‘real’ and ‘nominal’ variables?
• What are the sources of economic growth?
GDP Across Selected Countries, 2014

- **China**
  - Consumer Spending (C): 38%
  - Investment (I): 46%
  - Government Spending (G): 13%
  - Net Exports (NX): 3%

- **Brazil**
  - Consumer Spending (C): 63%
  - Investment (I): 20%
  - Government Spending (G): 20%
  - Net Exports (NX): -3%

- **Sweden**
  - Consumer Spending (C): 46%
  - Investment (I): 24%
  - Government Spending (G): 26%
  - Net Exports (NX): 4%

- **US**
  - Consumer Spending (C): 68%
  - Investment (I): 17%
  - Government Spending (G): 18%
  - Net Exports (NX): -3%

Source: Central Intelligence Agency (US)
Government Spending in Eighteen OECD Countries, Percentage of GDP, Various Years

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Source: OECD Economic Outlook 92 database.
A Look at U.S. Inflation

Consumer Price Index for All items

Source: Federal Reserve of St. Louis Economic Data (FRED).
The World After A Severe Financial Crisis