

EC132.03
Principles of Macroeconomics

Boston College

Thursday, January 21

This Weekend ...

1. Read the handout from last time **carefully** and fill out the discussion section sign-up sheet. Extra copies are available at <http://www2.bc.edu/~irelandp/ec132.html>
2. Register for Aplia – first problem set due Friday, January 29 at 9am.
3. Read Ch.23, “Measuring a Nation’s Income.”

3 Principles of Macroeconomics

1. The Classical Dichotomy

- Real versus nominal variables.

2. The Long-Run Neutrality of Money

- In the long run, changes in money affect nominal but not real variables.

3. The Phillips Curve

- But in the short run, there may be important linkages between real and nominal variables.

Course Outline

A. The Data of Macroeconomics

1. Measuring a Nation's Income (Ch.23)
2. Measuring the Cost of Living (Ch.24)

B. The Real Economy in the Long Run

3. Production and Growth (Ch.25)
4. Saving, Investment and the Financial System (Ch. 26).
5. The Basic Tools of Finance (Ch.27)
6. Unemployment (Ch.28)

Course Outline

C. Money and Prices in the Long Run

7. The Monetary System (Ch.29)
8. Money Growth and Inflation (Ch.30)

D. Short-Run Aggregate Fluctuations

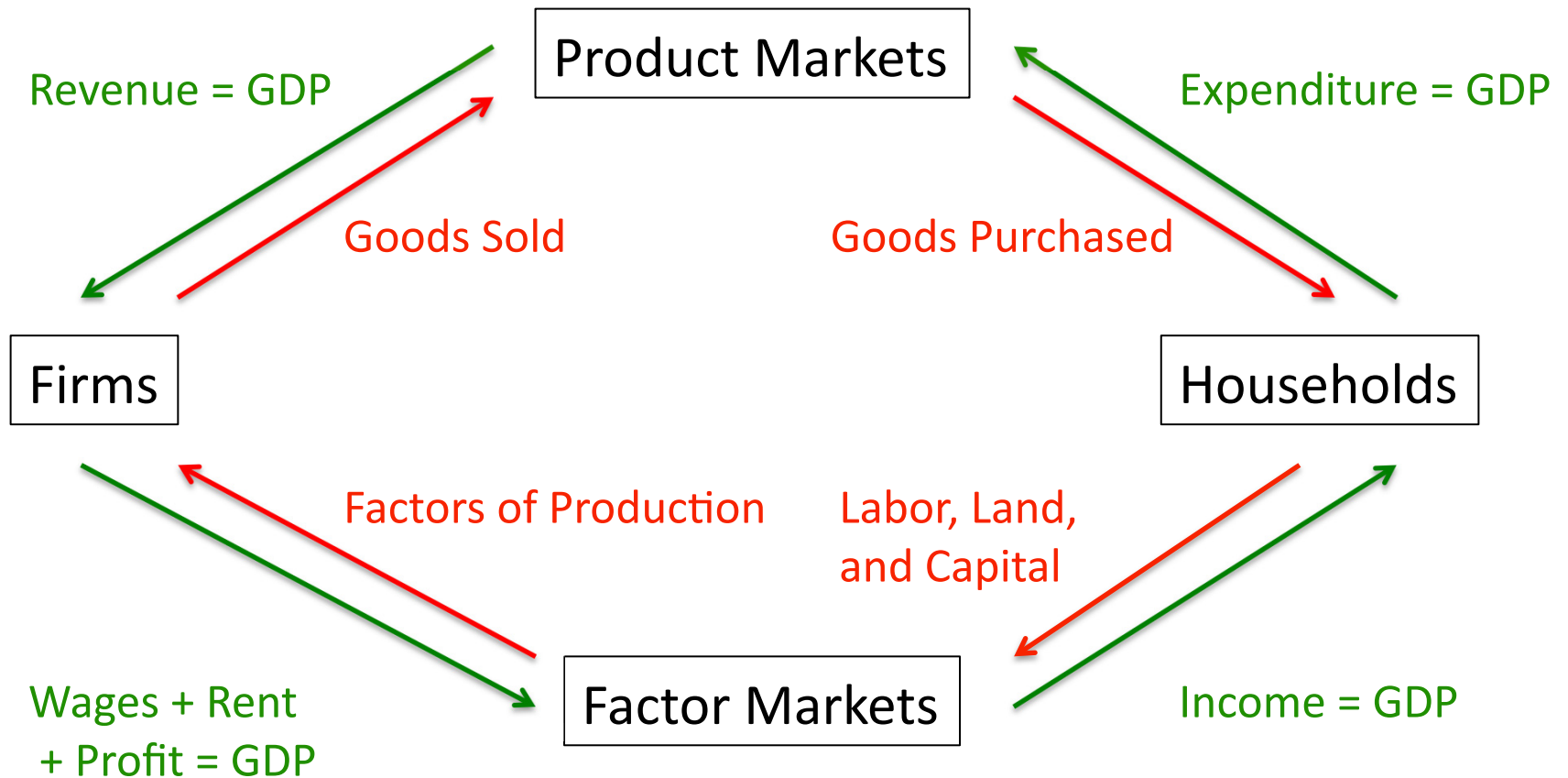
9. Aggregate Demand and Supply (Ch.33)
10. The Influence of Monetary and Fiscal Policy on Aggregate Demand (Ch.34)
11. The Short-Run Trade-off between Inflation and Unemployment (Ch.35)

Ch 23 Measuring a Nation's Income

1. Income and Expenditure
2. Measuring GDP
3. The Components of GDP
4. Real and Nominal GDP
5. GDP and Economic Well-Being

Income and Expenditure

The Circular Flow Diagram



Measuring GDP

Gross Domestic Product (GDP) =

The market value of all final goods and services produced within a country in a given period of time.

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The **market value** of all final goods and services produced within a country in a given period of time.

Because “you can’t add apples and oranges.”