Class: 01/26/04

Assignment: Homework due 2/2/04 – Chapter 1: Problems 2 and 7

Main questions discussed in class

What is the role of financial markets?
How do we know if the financial markets are working well?
Why does the labor force grow?
Was the tax cut the right thing to do?
How do we know if the economy is in a recession?
Are recessions predictable? Why do we have recessions? Will we have a recession each 10 years? Is Pres. Busch responsible for the 2001’s recession?
What is RGDP? What does it measure?
What is the connection between growth in RGDP and employment?

Savings/Debt
What happened in 1992? Savings rate start to fall and expenditure start to increase. What does this do the US Economy?
Is the Ratio of personal debt to disposable income (close to 1.25) a problem?
What is the national debt? Is the $5.5 trillion national debt a problem?
What does the DEBT/RDGP ratio tells us?
What is the CBO?
What is the difference between projections (ceteris paribus) and Forecast?
What is social security?
Why do we use GDP per capita/worker rather the GDP for evaluate standard of living?
Why are we “lucky” (think about US per capita GDP X Sierra Leone per capita GDP )?
What is wrong with inflation?
What is the size of he UE compared to the US economy? (~80%)