Discussion Handout 1: Intro to Macroeconomics
January 31, 2020

I. TA Section Information

E-mail: duncombe@wisc.edu - Will try and respond within 24 hours on weekdays. May not respond on weekends.

Discussion Schedule:

- Dis. 301 - Fr. 9:55-10:45 Van Hise 223

- Dis. 312 - Fr. 11:00-11:50 Van Hise 240

- Dis. 306 - Fr. 1:20-2:10 Ingraham 112

- Dis. 304 - Fr. 2:25-3:15 Ingraham 224

Drop-in Office Hours: Thursdays, 2-3pm - Social Sciences 6470 (back corner)

Attendance Policy: Attendance in discussion is not required.

Regrades/Extensions:

- Homework Re-grades/extensions: Case-by-case basis. Come to office hours to discuss with me in person.

- Exam Re-grades/rescheduling: Must discuss with Prof. Rick. Best to catch him in person after class or in office hours.

Cengage: Technical Issues - Contact Mandy at amanda.kratz@cengage.com

- The homework portion of your grade will be calculated via Mindtap assignments submitted online. Make sure you are submitting the "Problems and Applications" and not the "Homework" module, which will not be graded. You can also link to them via the "Assignments" page on Canvas.

- The other helpful application in Cengage is the "Adaptive Test Prep" module. This will give you practice questions very similar to what will be on your exams. It is found on the right side bar with the "A+" icon.

Exams:

- Exams will be 60% textbook material (gone over on your own or in discussion) and 40 % lecture notes (Latin phrases and blue boxes)

- Reviewing the textbook material and doing the adaptive test prep questions in Cengage (and attending discussion) is the best way to prepare for the textbook portion of the exam.

- Grades: A bit complicated - each exam is curved by giving letter grades, each letter grade is assigned a point value, your total points are calculated by weighting each exam and homework, and then final grades are curved based on the distribution of those total point values. Your grades in canvas will not accurately reflect your potential grades.

II. Chapter 10 - Measuring Gross Domestic Product

Definition: Gross Domestic Product is the market value of all final goods and services produced within a country in a given period of time

Big Picture: Why do we measure GDP? What might GDP not account for?

GDP measures two things at once since Income = Expenditure (See Circle Flow Diagram):
  1. Total Expenditure:
     GDP = Consumption + Investment + Government Spending + Net Exports

  2. Total Income = all wages

Nominal vs. Real GDP

- Nominal GDP: Measures current production at current prices

- Real GDP: Measures current production at past prices

Why do we need these two different definitions?
    If GDP increases it could either be from 1. Increase in production 2. Increase in Prices. By measuring each year's GDP in constant prices we can tell how much of GDP growth is from an increase in production and how much is from changes in prices.

Revenue (= GDP)

Spending (= GDP)

MARKETS FOR
GOODS AND
SERVICES

Goods
and services
sold

Goods and
services
bought

FIRMS

HOUSEHOLDS

Factors of
production

Labor, land,
and capital

MARKETS FOR
FACTORS OF
PRODUCTION

Wages, rent,
and profit
(= GDP)

Income (= GDP)

→ = Flow of inputs
and outputs

→ = Flow of dollars