

# CH. 24

الاقتصاد الحديث

\* GDP :- gross domestic products -  
الإنتاج المحلي الإجمالي

\* Nominal GDP :- الإنتاج المحلي الإجمالي الاسمي

$$\text{Nominal GDP} = \text{Price} * \text{Quantity}$$

\* Real GDP :- الإنتاج المحلي الحقيقي

$$\text{Real GDP} = \text{Quantity} * \text{Prices (base year)}$$

Real



Prices are constant

Nominal



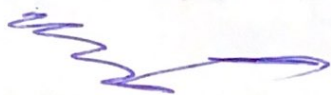
Prices are variable

\* Inflation: increasing in prices

\* deflation :- decreasing in prices

\* GDP per capita :- الإنتاج المحلي للفرد

$$\text{GDP per capita} = \frac{\text{GDP}}{\text{\# of Population}}$$



دور الحكومة في الاقتصاد  
\* The role of government

1] to stabilize the GDP growth.

تحقيق الاستقرار في نمو الناتج المحلي الإجمالي

2] stabilizing in inflation.

الاستقرار في التضخم

3] to stabilize the unemployment rate, the government uses fiscal policy Taxes.

لتحقيق استقرار معدل البطالة، تستخدم الحكومة سياسة الضرائب.

\* government spending

\* Savings, investment and choosing between

Present and future consumption.

\* if Present consumptions increase then Future

consumption decrease. Ceteris Paribus.

\* investment :- resources devoted to increase

الاستثمار Future output.

by Banks and financial institutions

Effect investment

what happens is not what you expected

\* Uncertainty, Expectations and shocks.

\* Nominal GDP :- uses current prices.

\* Real GDP :- Corrects for price changes.

\* Recession :-

\* Modern economic growth :-

- output per person rises.
- Not experienced by all countries.

\* Savings and Investment :-

- Saving : Trade-off current for future consumption.

\* Demand shocks and supply shocks :-

• Demand shocks and flexible prices

- price falls if demand is low.
- sales unchanged.

\* Demand shocks and sticky prices

}	maintain inventory
	sales change
	Business Cycles

\* Many prices are sticky in the short run.

\* All prices are flexible in the long run.

\* Inventory :-

• anticipated change in inventory.

التغير المتوقع في المخزون

• unanticipated change in inventory.

تغير غير متوقع في المخزون.

\* sticky prices : short run (صار ثابتة)

\* flexible prices : long run (متغيرة)

\* Saving :- (current consumption is less than current output)  
(current spending is less than current)

\* اوفر، الرئيس لا سفينج هما الأثر (Householder)

\* Real GDP measures the value of all final goods and services produced in a country during a specific period of time.

\* Real GDP :-  $\frac{\text{Real GDP}}{\text{Price Level}}$   $\rightarrow$   $\frac{\text{Real GDP}}{\text{Price Level}}$   $\rightarrow$   $\frac{\text{Real GDP}}{\text{Price Level}}$   
remain the same :- GDP  $\rightarrow$   $\frac{\text{Real GDP}}{\text{Price Level}}$   $\rightarrow$   $\frac{\text{Real GDP}}{\text{Price Level}}$   
increase :-  $\frac{\text{Real GDP}}{\text{Price Level}}$   $\rightarrow$   $\frac{\text{Real GDP}}{\text{Price Level}}$   $\rightarrow$   $\frac{\text{Real GDP}}{\text{Price Level}}$