

Useful Macroeconomics

I. David Wheat

Suggested Learning Activities after the Introduction

New Terms to Explain: deflation, computer model, feedback loop, growth rate, GDP, inflation, issue, mental model, per capita, performance, policy, structure, and system.

(Tip: use the 'FIND' command when reading the book and find every sentence that uses the term.)

Discussion

1. Take a few minutes to examine the historical patterns of *inflation*, *unemployment*, and the *growth rate of per capita GDP* in Figure 1. For each, comment on what seems 'average' or 'typical' for each economic indicator over the years since 1950.

2. In the top graph of Figure 1, notice how the *slope* of the blue price index curve changes during the 1970s and changes again during the 1980s. Describe how the slope of the blue curve seems related to the height of the orange inflation columns. What does that tell you about the relationship between the price index (blue curve) and inflation (orange columns)?

3. Do the comparison suggested near the bottom of page 1. In Figure 1, study one decade at a time, looking for any relationship between the patterns of inflation and unemployment *within* that decade. If you see a relationship, do these two economic indicators tend to move in *same* direction or in the *opposite* direction? Overall, what's your conclusion?

4. Take another look at the discussion of the policy feedback loop in Figure 5. A loop like this has mutually reinforcing effects that cause growth everywhere along the loop. *More of THIS causes more of THAT and, eventually, we have even more of THIS.* Isolated from its surrounding social and economic system, Figure 5 gives the impression that growth along the loop gets faster and faster over time, and that nothing could slow that growth. What might happen in a society where the number and intensity of public issues really did grow exponentially?

Can you imagine an alternative scenario with a different outcome? If so, describe it.

5. Give a real-world example of a 'solution' to one problem having a side effect that grew into another problem. Preferably an economic problem, but not necessarily.

6. After reading the Introduction, write a sentence or two that describes what you expect to learn from studying this book. When you finish the book, write another sentence or two explaining if you were pleased, surprised, or disappointed, and why. If the spirit moves you, send to your author those initial expectations and later reactions.