# CHAPTER ONE

***Confidence, Monetary Policy, and Fiscal Policy***

---

Different Ways to View The Economy

Three Pillars of Macroeconomics

Gross Domestic Product (GPD)

# Macroeconomics and microeconomics are two different ways to view the economy.

## Macroeconomics

- Views the economy as a whole
- Focus on aggregate changes in unemployment, growth, and inflation

## Microeconomics

- Focus on specific markets or industries
- Study of individuals, firms, and market behavior with regards to decision making and allocation of resources

# Three Pillars of Macroeconomics

The three pillars work together to form the bedrock of the national economy.

They unite together to:

- Optimize economic growth
- Stabilize inflation
- Fight unemployment

# Three Pillars of Macroeconomics

1 Confidence

- The most important of the three pillars
- Sets the tone for the economy
- Fuels business innovation and the economy
- Economic confidence is crucial when facing economic adversity

# Three Pillars of Macroeconomics

1. Confidence
2. Monetary Policy

- The process of adjusting the supply of money, the availability of credit, and the cost of borrowing
- Federal Reserve Bank implements policy
- Creating balance in the economy
  - Actions that stimulate economic activity
  - Actions that slow economic growth

# Three Pillars of Macroeconomics

1. Confidence
2. Monetary Policy
3. Fiscal Policy

- The use of government spending and taxation to influence the macroeconomy
- Allows government to implement changes that influence demand, inflation, and GDP
- Primary Goal – control government spending levels and set tax rates (private economy)
- Controlled by government and carried out by laws passed through Congress

# Gross Domestic Product (GDP)

**Gross Domestic Product (GDP)**
The market value of all final goods and services produced within a country during a given time period.

- GDP is the building block to understanding the economy - measures the economic health of nations
- Key factors when calculating GDP:
  - Only newly processed goods count towards GDP
  - Household services are not counted as GDP
  - GDP often includes the imputed value of certain services
  - Some transactions are missed in calculation (ie. illegal transactions)