

Supplementary Notes on Chapter 2 of *Macroeconomics* by N. Gregory Mankiw

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This version: September 7, 2017



A Joke

Experienced economist and not so experienced economist are walking down the road. They get across shit lying on the asphalt. Experienced economist: "If you eat it I'll give you \$20,000."

Not so experienced economist runs his optimization problem and figures out he's better off eating it so he does and collects money. Continuing along the same road they almost step into yet another shit. Not so experienced economist: "Now, if YOU eat this shit I'll give YOU \$20,000."

After evaluating the proposal experienced economist eats shit getting the money. They go on. Not so experienced economist starts thinking: "Listen, we both have the same amount of money we had before, but we both ate shit. I don't see us being better off."

Experienced economist: "Well, that's true, but you overlooked the fact that we've just increased the GDP by \$40,000!"

A Joke (continued)

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- Do you agree with the experienced economist? Why?
- Can GDP still approximate utility or happiness level in this scenario?

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- By the way, do you know <https://en.wiktionary.org>?

Chinese PMI by HSBC

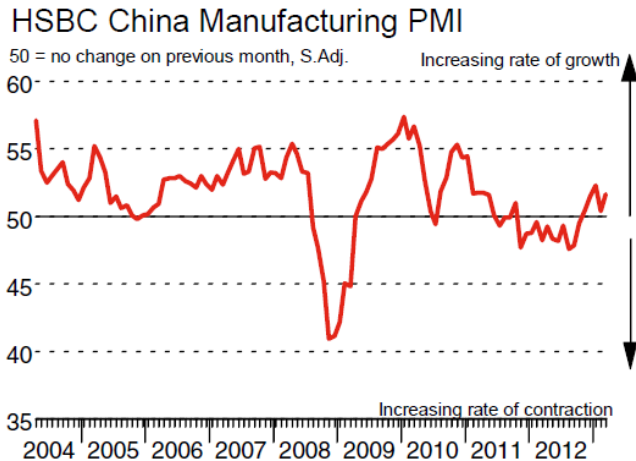


Figure: HSBC China Manufacturing PMI, 2004-2012

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Can you create one for your own purpose?

- Just go ahead and do it!

Other Data and Indices (Continued)

Li Keqiang Index:

- railway cargo volume and
- electricity consumption
- loans disbursed by banks

Li Keqiang told a US ambassador in 2007 that the GDP figures in Liaoning were unreliable and that he himself used the three economic indicators listed above, which were then combined and coined as the **Li Keqiang Index** thereafter.

Actually, many companies are creating their own economic data and indices and selling them to industries or banks for pretty high prices! (Reminding you the BIG-DATA business?)