

Development of the Irish Economy

Section A — The Economy as a System

ECU22021

Introduction

Teaching Assistance

Contact details

- Vincent Thorne, 2nd year PhD student in Economics
- thornev@tcd.ie
- Office hours:
 - Mondays, 14:30–15:30
 - Send me an email *before* with your questions/doubts
 - https://meet.jit.si/thornev_officehours
 - Password: ecu22021

Help hours (and tutorials)

Concept

- Help hours and tutorials are time slots *for you*
 - Ask questions, participate, check your knowledge...
 - ... in a *safe environment*: no judgement, no grading, no assessments
- Attendance is *voluntary*
- We will aim to actively engage with the module's content, so if you decide to attend tutorials, *participation will be expected*

Help hours (and tutorials)

Content

- Recap of lecture content
- Dive deeper into 1–2 topics
- *Meet the data*
- Your questions and doubts
 - Content *adapts to your needs*, so express them

Section A

The Economy as a System

The Economy as a System

Outline

1. Thinking Systematically about the Economy
2. Measuring Economic Success in Ireland
3. The Irish Policymaker's Toolkit
4. Other Forces at Work

Thinking Systematically about the Economy

- What are the four elements of any system?

Inputs, processes, outputs, outcomes

- In the case of an economy, what are they?

I: Physical and human capital, land and natural resources

P: Technology

Outputs: Income, output

Outcomes: happiness, life satisfaction, health, ...

Measuring Economic Success in Ireland

Economic flows

- 2 main actors of the economy?

Households and firms

- How do they interact?

HH: buy goods and services to firms as spending; sell labor, land and capital as income

Firms: sell G&S to HH for revenue; buy labor, land and capital as wages, rent and profit

- GDP equation

$$Y = C + I + G + NX$$

Measuring Economic Success in Ireland

Metrics

- What are the 5 big types of metrics?

National accounts, rates/fractions, aggregates, prices, others

- Pick one: why might it be useful for? What are its shortcomings?

The Irish Policymaker's Toolkit

AS-AD

- Aggregate Demand (AD)

Downward sloping, made of the GDP components

- Short-run Aggregate Supply (AS)

Upward sloping, because of “menu costs”, sticky wages and misperceptions

- Long-run Aggregate Supply

Completely inelastic with respect to price: depends only on factors of production

The Irish Policymaker's Toolkit

Fiscal policy

- What is fiscal policy?

Government spending

- How does it affect the AS–AD model?

Shift AD upwards, with multiplier effect due to the circular nature of the economy but limited by Marginal Propensity to Consume

The Irish Policymaker's Toolkit

Monetary policy

- What is monetary policy?

Varying the interest rate, i.e. the “price” of money

- How does it affect the AS–AD model?

Changing the money supply, the central bank changes the price of money, inducing people to hold more/less of their wealth in money and less/more in financial assets

The Irish Policymaker's Toolkit

Trade policy

- What is trade policy?

Foreign investment, export boost, or both

- How does it affect the AS–AD model?

Shifting AD (increased demand) and AS (increased stock of capital)

Other forces at work

- Every policy that might impact AS–AD. Examples?

Meet the data

Curating your data library

Data library

- Create a bookmark folder in your browser and start saving the databases you encounter.
- Download the data and play with it:
 - Aggregates
 - Shares
 - Growth rates
 - Relative sizes
 - Graphs, visualisations, etc...
- A good place to start <https://github.com/awesomedata/awesome-public-datasets>