

- Suppose that in the land of Macro, real GDP is equal to \$1.8 trillion. On the other hand, the land of Mini has a real GDP of only \$600 billion. The question we want to answer is this: how well off are these two countries? With only this information, you'd probably say that the land of Macro is better off, right? So would I! As you can see, the real GDP is higher in the land of Macro: \$1.8 trillion is definitely bigger than \$600 billion.
- However the population in the land of Macro is 1 billion people and the population in the land of Mini is only 8 million people. How well off are the people in the land of Macro compared to the land of Mini?

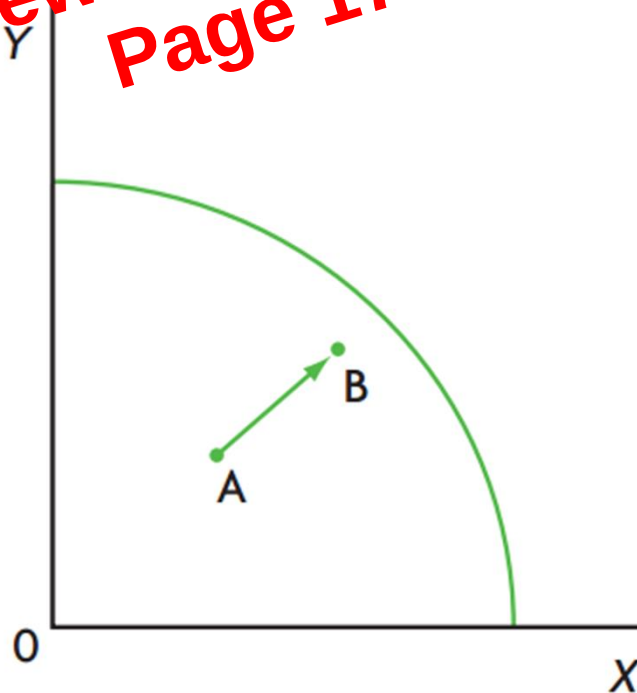


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	Average annual growth (%) 1990–2007
China	8.9
Vietnam	6.0
Ireland	5.8
India	4.5
Brazil	4.3
Greece	2.7
United Kingdom	2.4
United States	2.0
Argentina	1.5
Japan	1.0
Switzerland	0.8
Kenya	0.0
Paraguay	−0.3
Moldova	−1.3
Burundi	−2.7
World	1.6

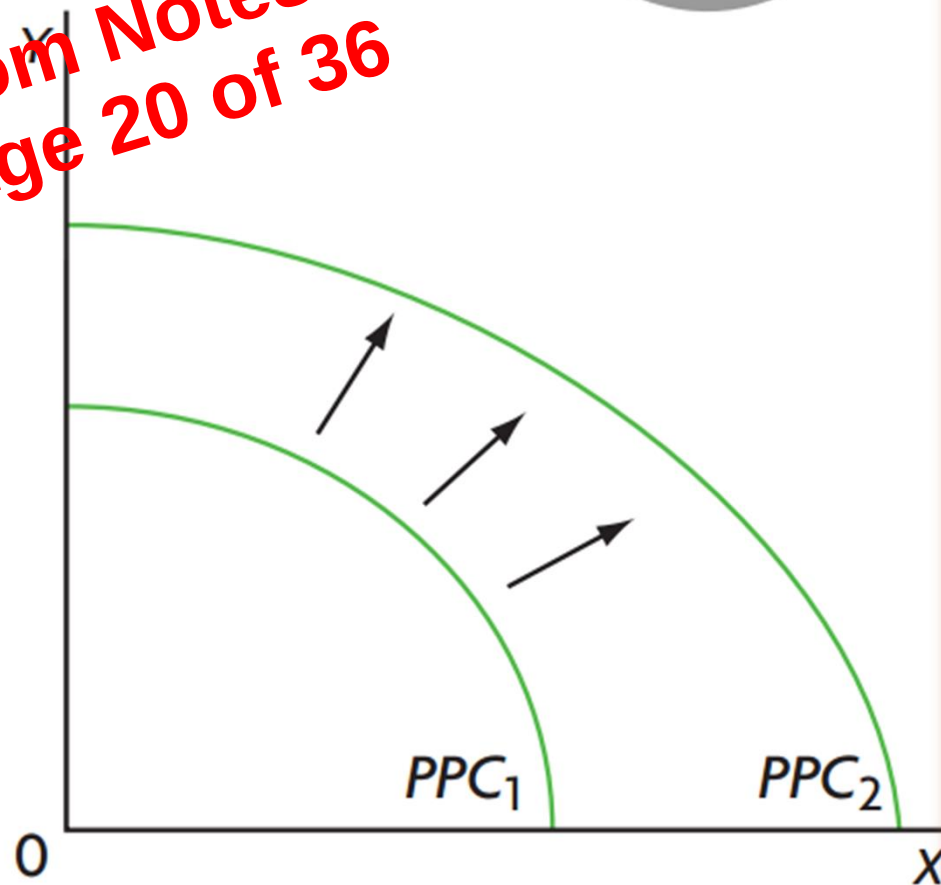
USING PPM TO ILLUSTRATE ECONOMIC GROWTH

- (a) Economic growth as an increase in actual output caused by reductions in unemployment and productive inefficiency



USING PPM TO ILLUSTRATE ECONOMIC GROWTH

(d) Non-parallel shifts of the PPC



EQUITY AND EQUALITY IN THE DISTRIBUTION OF INCOME

- One of the macroeconomic goals for a government is the equity in the distribution of income of its people.
- Equity is the condition of being fair or just, while equality is the state of being equal with respect of something.
- Equality with respect to income would mean that each member of a society receives exactly the same income.



- Markets may result in a very wide distribution of income, such that some individuals may receive no income at all.
- Incomes are earned in a market when individuals sell or hire out their factor of production to others.
- Factor incomes include:
 - Wages
 - Rents
 - Interest
 - Profits
- However, these incomes can vary considerably, and some individuals cannot earn even a moderate income. In a free market it may be difficult for some individuals to earn an income at all, leaving them unable to buy goods and services.

