In section I, we introduce the course, discuss the recent economic performance of the U.S. and outline the national income and product accounts (NIPA). The NIPA are a set of economic statistics collected by the federal government for the purpose of tracking the state of the macroeconomy.

The required reading in this section is chapter 1, 2 and 8.1 of your text and chapter 1 of Peddling Prosperity by Paul Krugman. While you read the material, keep in mind the following questions:

1. What is macroeconomics? Why should we care about macroeconomic theory?
2. What is the difference between market-clearing (flexible-price) models and sticky-price models?
3. What statistics are used to evaluate the performance of the economy? What are these statistics suggesting about the current state of the U.S. economy?
4. What is the difference between a stock variable and a flow variable?
5. What are the two ways gross domestic product or GDP can be measured?
6. Define the national incomes account identity. The identity implies that the demand for gross domestic product \( (Y) \) comes from what four sources?
7. Define the national savings identity. The identity implies that the financing of private investment \( (I) \) comes from what three sources?
8. What is the difference between nominal and real GDP? Which statistic is a better indicator of economic well-being?
9. What are the two methods for tracking the price level? How do they differ?