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GLOBAL ECONOMICS

The Four Economic Questions

1. What will be produced?
2. How will the goods and services be provided?
3. Who will get the goods and services that are produced?
4. When and where will we get the output?

Basic Economic Principles

1. The idea of value -two ways for people to get more of what they value, Production and Exchange.
2. The creation of value. Land, Labor, Capital, Entrepreneurship
3. Exchange and International Trade
4. Barriers to trade.
 - a. Natural trade barriers
 - b. Artificial trade barriers
 - c. Tariffs (import taxes)
 - d. Non-tariff barriers -rules used to restrict trade, FDA, auto
5. Safety & emissions, licensing, etc.
6. National interest barriers -defense, infant industry

Macroeconomics

1. National Accounts -provide a picture of economic health of nation. P Not comparable between nations. Only past history.
 - a. Gross National Product -def .
 - b. Gross Domestic Product -def .
 - c. Money, monetary policies & effect on other countries
 - d. Budget Deficits -Deficit or surplus
 - e. Balance of Trade
 - f. Aggregate Demand
 - g. Aggregate Supply
2. Interest Rates
3. Central Bank control (i.e. U.S. Federal Reserve) Benchmark (i.e. pegged to dollar, euro, yen)
4. Inflation -(hidden tax)
 - a. Currency stability
Impact on citizenry
 - b. Business decisions
Individual decisions
5. Interaction of various economies.
 - a. in sync, Mexico, Canada, U.S.A.
 - b. countercyclical, i.e. European common market, Australia, New Zealand, latin America, S.E. Asia, etc.
6. Opportunities in Global Economics
 - a. Business investments -subsidiaries, joint ventures
Individual investments -stocks, bonds, mutual funds
7. Politics vs. Economics

- a. Politics is about power, who rules, makes decisions, votes, and calls the shots.
 - b. Economics is about resources and uses. What will be made, how, and who gets the results
8. Political and Economic variations
- a. liberal democracies (people make ultimate decisions.)
 - totalitarian states (power held by the government)
9. Economic systems -Capitalism & Socialism
- a. Capitalism -business primarily owned by the private sector
 - Socialism -business owned and directed by the government
10. Tariffs and International Trade
- a. Moving downward -GATT
 - b. Common markets -U.S. is the original common market
11. Benefits of International Trade
- a. Consumer gets lowest price
 - b. labor gets work
 - c. Capital is employed at maximum gain
 - Entrepreneur risks are rewarded