

Fundamentals of macroeconomics assignment

[Economics](#)



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BUSTER**

Unemployment occurs when a person is laid from an employer or is seeking employment without success. The unemployment is used to measure the condition of the economy. This measurement is known as the unemployment rate. It is calculated by dividing the number of individuals on employment by the number of individuals in the labor force. ; Inflation rate It is based on the rising price of good and services and falling purchasing power. This measurement shows how fast currency loses value.

This is calculated by how fast prices for goods and services rise over time, or how much less one unit of exchange buys now equated to one unit of exchange at a given time in the past. ; Interest rate The annulled cost of credit or debt-capital calculated as the percentage ratio of interest to the principal. Each bank can regulate its own interest rate on loans but, local rates are about the same from bank to bank. In overall, interest rates rise in times of inflation, bigger demand for credit, tight money supply, or due to higher reserve requirements for banks.

Consider the following examples of economic activities: ; purchasing of groceries ; Massive layoff of employees ; Decrease in taxes Purchasing groceries and other consumer products it affect the amount of taxes organization pay the government. This is sales tax paid to local governments which the taxes are used toward many projects such as city improvements, roads, schools, government funded programs, other health and children programs. Some household's families may purchase at small local markets and this helps support small businesses in their community.

Depending on a family's income they budget a food allowance therefore, more income larger purchases and paying more tax. When consumers are spending money on food and services they support organizations and help their profits and this will keep employees from losing their jobs and increasing the unemployment rate. Consumers may pay more at the smaller local business but this can help the economy. The most positive economic tendency out of the three choices is to decrease taxes. When the government decreases taxes, disposable income increases.