

Good example of economics research paper

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Macro-Economics

About the report:

The report is based on the calculation of GDP for the Republic of China for the year 2001-2011. For the purpose of calculation of report, we have used the theoretical expenditure method where the GDP will be calculated as the sum of Final Consumption Expenditure+ Gross Capital Formation+ Net Exports. Another assumption in the calculation is related to use of only Chinese Yuan to calculate the GDP and annual growth in GDP. In other words, for the purpose of simplicity, we have avoided the conversion of numbers from Chinese Yuan into US Dollars. Hence, my results might differ from other candidates whose calculations are based on US Dollars.

Introduction:

The Gross Domestic Product (GDP) is one of the primary indicators of the economy's health. Defined as the total value of all the goods and services produced in an economy during the year, GDP is usually expressed in percentages. Although, the calculation of GDP is a complex task which is handled by the statistical and economic bodies of the Government, we will use the most common method of calculation of GDP, i. e. Expenditure Method.

Under the Expenditure Method, GDP is calculated as follows:

GDP= Final Consumption Expenditure+ Gross Capital Formation+ Net Exports

Calculating GDP for China:

Answer b)

Data Analysis:

Referring to the above calculation and graphs, we can infer that the GDP of the economy has consistently increased. In reference to the annual growth in the GDP, we find that since 2001, the economy witnessed an increasing trend in its GDP. However, it was only during 2009 when the Chinese economy witnessed a sharp decline in its GDP growth rate that declined from 18.52% to 10.38%. Important to note that it was just not the Chinese Economy that suffered a setback during 2009, rather it was impact of the Global Financial Crisis that shook the world economy, and the Chinese economy managed well to sustain a double digit growth in its GDP. Post the financial crisis era, the economy again managed well to achieve high GDP growth rate of 15.49% and 15.62% during 2010 and 2011, respectively. As for China, we have always held a customary wisdom that the China has always followed export oriented policy so as to add inexorable amount to the country's foreign exchange reserves although it squeezes the consumers demand at home. However, restricting our analysis to the year 2011, we witnessed something against the customary notion that the net exports of the country fell significantly and it was only the home-grown spending that China managed to attain a sustainable growth in its GDP.

The final consumption expenditure which constitutes of both the government and household expenditure contributed more than 50% to the nation's GDP since 2001. As a consequence, the share of consumption in China's GDP surged sharply in 2011 after declining consistently for 10 years. Surprisingly,

post the global financial crisis of 2008-09, the net exports figures of the country has sharply declined while the final consumption expenditure and gross capital formation had increased contribution to the GDP of the nation. This signifies that while the EXIM trade of the nation still continues to fight hard after the financial crisis, it is the home based expenditure that has been successful in ensuring GDP growth for the Republic of China.

Answer c)

The business cycles are characterized by the fluctuations in economic activity. Important to note that the country's Gross Domestic Product (GDP) and the rate of unemployment are the two key variables that are used to determine the present phase of the business cycle. In other words, both GDP and employment are having a direct relationship with the ongoing business cycle in the economy. For Instance, some of the phases of the business cycles are:

- Contraction Phase
- Recessionary Trough
- Expansion
- Business Peaks

And, under each phase, there is a direct impact over the gross domestic product (GDP) and the unemployment rate of the economy. Such phenomenon has been explained hereunder:

Economic Contraction:

Under this phase of a business cycle, the economy faces depressed consumer demand for goods and services and this further result in low

economic output. In other words, the stock starts to pile up in the company's warehouses, and the production process faces a setback. As a consequence, companies start laying off their consumers in the absence of demand for their goods in the market. On a macro level, when each company in the country starts laying off their workers, the level of unemployment increases and since GDP is a measure of the value of economic output and during a contraction output decreases, the GDP decreases. However, even though the production levels fall, but the GDP is still positive. Recently, United States of America witnessed such a situation that later on expanded to the whole of the global economy in 2008.

Recessionary Trough:

This is the worst economic situation a country could think of. A recessionary trough occurs after contraction when the consumer demand for goods and services reaches the saturation point and the economy witnesses the highest unemployment rate and the lowest level of Gross Domestic Product (GDP). Unlike a contractionary phase, the economy under a recessionary trough is not able to keep its GDP at a positive level, indicating that all the measures to grow have failed, and the economic output is in negative stages now.

Economic Expansion:

This is a completely different business cycle phase from the previously discussed ones. As the name suggests, under an expansionary phase, the consumer demand starts picking up on a consecutive basis, i. e. for two or three consecutive quarters of the year. As a consequence, companies start hiring more and more people to increase their production capacity to meet

the increasing consumer demand. At the same time, demand for capital goods is also increased by the businesses that are willing to expand their production capacity citing positive economic forecast. Thus, under the expansionary phase, the economy witness low unemployment and increase in the GDP levels. However, the major section of the economists do not consider the economy to be operating under the expansionary phase only after one quarter of growth because some types of economic growth is also temporary. For Instance, during holiday seasons, the economy usually witness high consumer demands and classifying the economy under the expansionary phase at that time will be inaccurate.

Economic Peak:

Once the economy reaches peak, it witness the highest growth in its GDP levels and employment levels. This economic phase is what every country desires forever. However, unfortunately, no country can remain at the economic peak for an indefinite period of time as doing so will force the economic into inflationary pressures and thus, the central bank of every nation will intervene with monetary policies so as to maintain a sustainable economic growth in the nation. Important to note that, if central bank does not intervene to stop the phase of the economic peak, the country might witness inflationary pressure as well as currency devaluation, which are the greatest evils for an economy even when GDP is increasing.

Works Cited

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