Fundamentals of macroeconomics paper assignment

Economics

Conclusion Introduction In this paper for the fundamentals of macroeconomics, I will be discussing gross domestic product (GAP), real GAP, nominal GAP, the unemployment ate, the inflation rate, and the interest rate. Along with those terms, will explain how purchasing of groceries, massive layoff of employees, and the decrease in taxes affect the government, households, and businesses. Define and Explain Gross Domestic Product (GAP) Gross domestic product or GAP for short is defined as a main indicator that is used to measure the country's economy.

The best way to understand a country's economy is to look at the GAP. The GAP measures all of the output for the country and includes everything produced in that country. Gross domestic product is estimated in three ways and they are; expenditure basis, which is how much money was spent, output basis, which is how many goods and services, were sold, and income basis, which is how much income, was profited. Define and Explain Real GAP Real gross domestic product is by assessing the market prices of a certain year while taking inflation into factor.

A company COUld use the real GAP to suggest the standard of living within a country so it can help the company decide whether or not that their products will be successful. An example of how you get the figures is to choose a base year such as 2005, taking the quantities of all the goods and services purchased in 2013 and multiplying hem by their 2005 prices figure out then the real GAP for 2013. Define and Explain Nominal GAP Nominal GAP measures the value of all goods and services produced in the current price without taking inflation or deflation into hand.

When doing the nominal GAP, the GAP will look higher than it actually is due to not taking inflation into factor. Define and Explain Unemployment Rate Unemployment rate could be defined as the percentage of the total workforce who are not working and are looking for a paying job. The unemployment rate is watched very closely within the economy. If the employment rate rises (more people out of work), it is a sign that the economy is weakening and interest rates may lower. Just the opposite if the unemployment rate lowers, then it is a sign of a growing economy and interest rates might rise.

Define and Explain Inflation Rate Inflation rate is when the prices of goods and services continue to grow and not decrease. When this happens, the standard of living is harder. With inflation rates growing the dollar buys less, so you have to spend more money to get the same goods and services. There are three causes for inflation. Demand-pull is one which happens when demand for goods and services rise, but supply stays the same. Cost-push is the second and it is caused when supply of goods and services is controlled for a reason and the demand stays the same.

Overextension of the money supply is the third and this is when the capital in the market does not take advantage of purport entities. Define and explain Interest Rate Interest rate could be defined as a percentage of money being charged to you when having a credit card, mortgage, or even unpaid bills. An interest rate that credit card companies use is a percentage of what the total amount s owed or loaned. How Purchasing Groceries Affect the Government, Households, and Businesses Purchasing of groceries is essential to economic activity and affects all three of the groups.

Businesses have to establish what to have on hand and how much to have which is determined by the households. If the business is producing goods that the households want and is in high demand and the business cannot keep up with the demand, then the business can offer the product at a higher cost. It is just the opposite for the business if a household does not want the product This also affects the government because the Geiger the price the more tax revenue is made, which creates a excess of funds to fund the public and government projects.

How Massive Lay-offs of Employees Affect the Government, Households, and Businesses Massive lay-offs of employees in the market economy affect the government, households, and businesses by decreasing the ability of all to produce and buy goods. The government is affected by a reduction in taxable income not only from the business and its payroll taxes, but also from the goods and services that are no longer being made. The government also has to pay out more money to the unemployed and they are also not collecting ax money on goods from households that can no longer afford them.

Businesses are affected by not having the ability to produce the good or service for the households. By this happening the household cannot purchase the good or service. Households are affected with this because if they are laid-off then they cannot afford to purchase luxury items or even item themselves without utilizing a stricter budget. How a Decrease in Taxes

Affect the Government, Households, and A decrease in taxes can affect the household by allowing households to have a little more freedom on spending for them. This then will allow businesses to grow and create more job opportunities.