Outline

Determinants of the national income of countries from a Keynesian perspective Introduction Every country in the world has practical experience in the fact that economic progress never moves on an even-course. From time to time, wide fluctuations have been recorded in national income. Early economists viewed the issue of economic progress from the viewpoint that a prosperity period was always sure to be followed by one of depression. During a depression, an economy recovers automatically to enter a period of boom. Most believed that the economy was usually operating under the employment levels of a country. Keynes contradicted this theory, holding the opinion that economies, which operate at equilibrium levels, do not necessarily have a high employment level. Millions of citizens probably could be out of employment. Therefore, countries wishing for high employment levels can do this only via changes in investment magnitude, which will in turn increase national income.

Literature Review

Forni, Luke. Monteforte, Larry. & Sessa, Lake. (2007): The general equilibrium effects of fiscal policy: Estimates for the euro area

Fatas, Andrew. & Mihov, Isaac. (2002). Fiscal Policy and business cycles: An empirical investigation

Kimball, Michele. (1995). The quantitative analytics of the vasic neo-monetarist model. Journal of Money, Credit and Banking

Erceg, C. John et al (2000). Optimal monetary policy with staggered wage and price contracts

Data

The independent variable in the research study is the wellbeing of the population while the dependent variable will involve the national income

level and its determinants. The independent variable will change with varying levels of employment and investment that determine the national income level. Most of the data on the determinants is to be found in literary works, and government records, therefore, there will be minimal reliance on data from professional practice. This will necessitate qualitative research to integrate document analysis into the research design. The research will be interested in identifying the determinants of national income and the way the income correlates with the population's national wellbeing.

Analysis

Through combining with data on population, national income, can give a clear measure of wellbeing based on the country's per capita income, as well as its growth with time. National income can also be combined with data on the country's labor force in the assessment of productivity's level and rate of growth. National income could also give, in combination with monetary and financial data, a guide to the country's level of inflation.

Conclusion

The study's conclusion reveals that in the presence of full equilibrium of employment scarce resources can be allocated to alternative employments, as well as preservation of free enterprise, which would see income being distributed on input market pricing factors. This would come with appropriate safeguards for the disadvantaged, which would improve general wellbeing of majority of the population. The necessary determinants were provided that could be used to explain the manner in which a capitalist economy could be managed to eliminate the inherent deficiencies.

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