

Principles of macroeconomics essay sample



**ASSIGN
BUSTER**

To live in an economy that is not negatively impacted by recession, downsizing, or business capsizing would be ideal. The unfortunate reality is that we are faced with economic situations that will be either helpful or hurtful to us all. Over the last few quarters between 2013 and 2014 the U. S. Bureau of Economic Analysis (BEA), conducted an analysis that reflects the changes in GDP. During this time the Nominal GDP was much greater than the Real GDP. Expenditures Approach to Calculating GDP

-638175208978500 From 2013 through 2014 the Nominal GDP was greater because the values during that time were not adjusted. It is understood that Nominal GDP is the value of GDP in current dollar and Real GDP is the value of those dollars after adjustments or changes in prices. For the most recent quarter, the percentage change was -20. 1. The difference is within the Net Exports of Goods and Services. Below is a table that reflects such. Income Approach to Calculating GDP

2nd QTR 2013 3rd QTR 2013 4th QTR 2013 1st QTR 2014

GDP 16, 619. 2 16, 872. 3 17, 078. 3 17, 044. 0

GNP 16, 711. 2 17, 103. 1 17, 321. 2 17, 255. 0

Net National Product 14, 221. 3 14, 462. 9 14, 650. 6 14, 556. 3

National Income 15, 511. 5 14, 650. 5 14, 770. 2 14, 733. 7

Personal Income 14, 131. 3 14, 247. 4 14, 311. 7 14, 484. 7

Gross Domestic Product or GDP is the total value of final goods and services produced in a given year. GDP is comprised of four basic categories. Those categories are Consumption Expenditures, Private Investment Expenditures, Government Purchases and Net Exports. Gross National Product or GNP is

the total of final goods and services produced in a given year by another country. The difference between the two can be easily identified by understanding that GNP include foreign net income opposed to considering net exports and imports. Based on the table provided above, to determine GNP from GDP you have to include the value of foreign assets. National Income is the total value of a country's final output of all new goods and services produced in a year. Considering the table above, GNP was higher than the National Income by 2, 521. 3. To determine National Income from GNP you have to subtract GNP. The main component would be the value of GNP and the total output of goods and services of a country. National Income also considers both domestic and international earnings. GDP in Different Countries

COUNTRY GDP

(in billions of U. S. dollars) Population

(in millions) Per Capita GDP

(in thousands of U. S. dollars)

1 2 3 4= 2/3

UNITED STATES 16800 316. 1 5314. 7

JAPAN 4901 127. 3 3849. 9

CHINA 9240 1357. 3 680. 7

MEXICO 1260 122. 3 1030. 2

RUSSIAN FEDERATION 2096 143. 5 1460. 6

SWITZERLAND 650. 7 8. 081 8052. 2

SWEDEN 557. 9 9. 592 5816. 3

LUXEMBOURG 60. 38 . 543 11119. 7

COUNTRY GDP

(in billions of U. S. dollars) Population

(in millions) Per Capita GDP

(in thousands of U. S. dollars)

1 2 3 4 = 2/3

LUXEMBOURG 60.38 .543 11119.7

SWITZERLAND 650.78 .081 8052.2

SWEDEN 557.99 .592 5816.3

UNITED STATES 16800 316.1 5314.7

JAPAN 4901 127.3 3849.9

RUSSIAN FEDERATION 2096 143.5 1460.6

MEXICO 1260 122.3 1030.2

CHINA 9240 1357.3 680.7

In the table above are different countries reflecting their GDP, population and Per Capita GDP. When arranged based on GDP, the United States ranked highest. Upon rearranging the order by highest Per Capita GDP to the lowest, the order did not remain the same, as for order per GDP and Luxembourg was the highest. This difference is due to the population size and the fact that Per Capita GDP consists of the GDP per person and the country's output of goods and services. The Per Capita GDP values the country's wealth and standard of living for all its residents. Index of Economic Freedom

2011 LUXEMBOURG SWITZERLAND SWEDEN UNITED STATES JAPAN RUSSIAN
FEDERATION MEXICO CHINA Overall
Economic

Freedom 74. 2 81. 6 73. 1 75. 5 72. 4 59. 1 66. 8 52. 5

Business 72. 6 74. 4 91. 1 89. 2 80. 0 70. 0 76. 8 49. 7

Trade 87. 8 90. 0 87. 8 86. 8 82. 4 74. 6 85. 6 71. 8

Financial Freedom 80. 0 80. 0 80. 0 70. 0 50. 0 30. 0 60. 0 30. 0

Property Rights 90. 0 90. 1 90. 0 80. 0 80. 0 25. 0 50. 0 20. 0

According to the data provided above in the table, Switzerland has the highest and more positive indication of economic freedom based on the data received from the Heritage Foundation's website. Switzerland is then followed by the United States, Luxembourg, Sweden and finally Japan. These countries have more financial flexibility compared to Russia, Mexico and China. When it comes to the business rankings, Sweden is the highest followed by the United States, Japan, Switzerland then Luxembourg.

According to these numbers the previously mentioned countries have a better opportunity for business. In the trade category, all countries appear to have good, positive numbers. To me this signifies that the import and exporting services are fully operational and that goods and services are open.

The financial freedom category is good for all except Japan, Russia, Mexico and China. These numbers could be low because of the government involvement. These countries are more diplomatically ruled and controlled by their government so the frivolous spending within their economy would not be freely done. Lastly, the property freedom portion. Russia, Mexico and China are low. This may be due to the diplomatic rule of their government and the strict policies they face. In conclusion, after conducting the research I have come to realize that many factors could play a part in the economic

growth of a country. It is also apparent that population plays a role in the Per Capita of each county.

Reference

<http://www.bea.gov/>

<http://ext.worldbank.org>

<http://www.heritageorg>

Williams, B. (2014), Measuring A Nation's Production and Income. Chapter 5.
Pearson Education, Inc.