Eco 372 week 2 individual paper

Week 2 Fundamental Macroeconomics October 22, 2012 ECO/372 There are several factors that affect our economy, gross domestic product (GDP), real GDP, nominal GDP, unemployment rate, inflation rate, and interest rates. All of these factors have influences over how we purchase groceries, weather there will be massive layoffs of employees, and decrease in taxes. Gross domestic product is the market value of final goods and services produced within a country in a given period. Which this is commonly considered an indicator of the standard of living within a country.

Real GDP on the other hand is measure of the value of economic output that adjust for price changes. Nominal GDP is a gross domestic product figure that has not been adjusted for inflation. Unemployment rate is the measure of the prevalence of unemployment and is calculated as a percentage by dividing the number of unemployed people by the individuals that are currently in the labor force. Inflation rate is the percentage rate of change in price levels over time, usually one year. An interest rate is the rate which interest is paid by a borrower for the use ofmoneythat they borrow from a lender.

All of these factors are related to our everyday lives and how we manager our money, what we spend our money on, and when we spend our money. Buying groceries sounds like a simple task but when you are on a budget it can be pretty stressful. The cost of groceries affects the government because this is a good that is produced and sold within our country; which affects GDP, real GDP, and nominal GDP. This is directly related to consumer spending and in times of a recession consumers pull back on their spending and go into savings mode.

When consumers go into savings mode this affect every type of business because production is down and this could cause layoffs. Buying groceries affects households because thousands of people struggle everyday to provide for their families and when the cost of goods constantly goes up but wages don't this makes it really difficult to live. Massive layoffs affect people's standard of living and that is what the GDP is centered around; as it measures the standard of living in that country.

Massive layoffs will definitely affect the unemployment rate and a higher unemployment affects the economy because this means more people are on unemployment so there salaries are down so what they are spending is down. Massive layoffs has a vicious cycle and globally in 2012, 200 million people are without employment and this shows the slowdown in employment growth, which means companies aren't hiring and people aren't spending like the where. Massive layoffs affect the economy dramatically because it has a huge impact on consumer spending which in my opinion makes the world go around.

If no one is buying then production is down and that's how layoffs happen, and this affects households, businesses, and the government. Tax decreases can stimulate economic growth because if people are paying less in taxes, they have more money to spend. It has been proven over the years that tax decreases generate economic growth and federal revenue will always rise. From a personal standpoint I always spend more during tax season because I usually get a good return; since I am a single parent and full-time student, therefore, I qualify for various tax breaks.

These obviously affect my household because I am more disposable income. Tax decreases can help a business if their taxes are decreased the organization will payout less and have more income. As we compare GDP, nominal GDP, real GDP, unemployment rates, inflation, and interest rates, it is obvious that all of these factors affect us everyday. They show how we spend our money and these factors give indications of recession. Buying groceries, layoffs, and tax decreases are all a reflection of these factors.

Daily acts, such as, buying groceries has huge impact on our economy because it is directly related to consumer spending, which is a driving force. Massive layoffs affect our households, business, and government because this causes consumer spending to go down. Tax decreases on the other hand has a positive influence on all six factors. Plus it will benefit your household, business, and the government. References Colander, D. C. (2010). Macroeconomics (8th ed.). Boston, MA: McGraw-Hill/Irwin http://www. forbes. com