

# Macro political economy essay examples

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Macroeconomics is a branch of economics that deals with the performance, structure, behavior and decision making of the economy as a whole. It examines the economy as a whole and attempts to answer questions such as what brings about the growth of the economy over time, what causes short-run fluctuations in the economy and what influences the values various economic indicators and how these indicators affect economic performance. Macro- economics deals with aggregates such as national income, consumption and investment. There are several indicators that deal with macro-economic which include the GDP (Gross Domestic Product), unemployment rates, and price indices (Forte, 423). There are also various models that assist in explaining the relationship between the basic economic factors. These models explain on national income, Output, unemployment, inflation, savings, investment, international trade, consumption and international finance.

The three major concepts behind macro- economic are output and income, unemployment and inflation and deflation. Macroeconomics is important to any country in that it helps in estimating the GDP and GNP as part of the performance analysis. It also helps in studying the nature and size of material welfare and predicting the impact of exogenous variables on endogenous variables. The models used in macro-economic include; aggregate demand and aggregate supply, the IS ad LM models and growth models. This paper will focus on analyzing the issue of national income accounting as part of the policy applied in macro-economics. It will discuss the basic steps used in calculating the national income in terms of goods produced within a country.

National income accounting is the measure of total monetary value of the  
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flow of final goods and services arising from the productive activities of a country in a given economy. It involves accounting for goods and services for a given country in a given period of time mostly a year. This measure of output annually is referred to as the gross domestic product (GDP). There are three methods used in measuring national income. The first method is called the output or product approach (Mohanasundaram, 70-72). This is where the aggregate total values of the final goods and services by individuals within the boundaries of a given country in any given year. This method may also be referred to as the Value added method since it concentrates on the value which has been added to a commodity during different production stages. The second method is referred to as the expenditure method. This is where all the expenditure incurred is added up from locally produced goods in a given country in any given year. This expenditure may be from the individual consumers, business community who buy goods from investment, the government or by foreigners. After the adding up is done the total figure is deducted any expenditure by the people in the country on foreign goods or rather imports. Thus giving the formula:  $E = C + I + G + X - M$  where E represents expenditure, I represent investment expenditure, G represents Government expenditure, C represents consumption by individuals, X represents exports and M represents imports (Forte, 421).

The third method is referred to as the income method where all the income received added up from four factors of production involved in the process of generating input. These four factors include: land, labor, capital and entrepreneurship. In addition to this, there are various concepts used during the determination of national income. These concepts include: GDP, GNP, NDP, NNP just to mention but a few. To start with, GDP means the gross

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national income which is the total monetary value of goods and services produced within a country in any given year. In this one, no deductions for depreciation of goods are done. Gross national product (GNP) refers to the total of final goods and services produced by citizens of a given country. It is related to the GDP in that  $GNP = GDP + \text{income earned by citizens residing abroad} - \text{income earned by non-citizens residing in the country}$  (Mohanasundaram, 68). Similarly, there is the Net Domestic Product at market price. This defines the value of goods and services produced domestically after deducting depreciation of capital goods engaged in production. It is also related to the gross domestic product in that:  $NDP = GDP - \text{depreciation (capital allowances)}$ .

Net National Product at market price is the value of goods and services produced nationally after deducting depreciation of capital goods engaged in production. Net National Product at factor cost is the value of national income that is attributable to the four factors of production. It is the value of national income after adjusting for subsidies and indirect taxes.

Personal income is also other concepts that should be considered during the calculation of national income. It refers to the amount of net national product at factor cost which is finally distributed to individuals. It also includes any amount which is received by those individuals but they have not offered any services for them or rather transfer receipts. Personal disposable income is the income an individual receives after deducting personal taxes. It is the amount available to them to use in whichever way they wish. Per capita income is the average income per individual residing in a given country (Mohanasundaram, 73). Real national output or income is the total value of output measured in constant prices within a given base year. Nominal <https://assignbuster.com/macro-political-economy-essay-examples/>

national output is the measure of national income using the prices from the previous year. These factors help in determining the national income of any given country within a year as well as the amount of growth the country gets after production within a year.

## **Works Cited**

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