

# Fundamentals of macroeconomics paper critical analysis

[Economics](#), [Macroeconomics](#)



Jerry L. Robinson ECO/372 JUNE 07, 2012 CHAD McDermott Fundamentals of Macroeconomics Paper Gross domestic product: is the value of all goods and services produced in a country in any given year or specific time period. This is measured in dollar amounts and basically the higher the GDP, the better the economy is for that country. Real gross domestic product: is nominal Gross domestic product that has been adjusted for inflation. This means that the quantity of goods and services must have the converted values for the prices to be made at the market price.

The market price also sets the importance of how things will be purchased on the market. Nominal gross domestic product: is Gross domestic product that is calculated at existing prices. That means that the GDP is affected when the economy does when the output is measured for inflation. This is when prices for goods and services are either going to be higher or lower because of inflation. Unemployment rate: is the total percentage of workforce, who is unemployed and looking for a paid job.

When the unemployment rate is up then there are less jobs out there for the people that are looking for employment. This in turn affects the businesses that had to lay off the workers due to low productivity; this also has an effect on the government because unemployment benefits aren't taxable. Inflation rate: is the rate at which the general level of prices for goods and services are rising over a period of time. Inflation rate can also affect how families operate on a daily basis, inflation rate goes up, prices go up and the spending goes down.

People don't shop as much when the inflation rate has gone up, because the value of the dollar doesn't go as far when the inflation rate has risen. Interest rate: The interest rate is the amount that a person pays back over and above the principle that has been borrowed from a lending institution. Most banks will lend you money at a low interest rate for a number of different things, it can be a low interest rate for a home, a car, or even to start your own business. Low interest rates, also affects the companies that build the factories that produce the jobs for us.

The purchasing of groceries is an important economic activity that affects our government in many different ways. Because when our families go to the grocery store to make the groceries that feeds our families, we give the grocery store cashier our cash and they give us a receipt and our groceries, this is just one of the economic activities that are very important to our economy. This activity effects our government because this is a transaction that is taxed and whenever there is a transaction made that is taxed, this effects the government.

The government is the regulators or approving authority of what is taxed and where the tax money goes. Massive layoff of employees is another one of our economic activities that's very important to our economy as well, these particular activities can and does affect a variety of economic grow in our country and around the world. When the massive layoffs begin, this does a number of things really fast, if you have no job, you have no income to do the grocery shopping for your family.

If you can't do the grocery shopping for your family, then the government doesn't get the taxes from the purchasing of your groceries. If the government does get the taxes from the purchasing of your groceries, that means the stores aren't making the money that they would usually make due to the massive layoff of employees. Also the factories that gave the massive layoffs will give employee the pink slip so that they can file for unemployment, when they apply for the unemployment benefits, they government will not get the taxes from the unemployment benefits because this isn't taxable.

So basically, massive layoffs not only affect the worker, but it also affects the government and the factory owner and shareholders as well. Decrease in taxes is a very important economic activity that affects many different areas of our lives, how we live, and how our families operate on a day to day basis. We pay taxes on just about everything, so when a decrease in taxes occurs, this lets us know that when the taxes goes down, a deflation in our economy happens and we tend to spend more money because we know that as long as there is a decrease in taxes we have a little more money to purchase things.

This affects the businesses as well, because if the taxes are low they can spend more money on the things that they use to run the factories our buy more ink that produces the paper from the paper factory. This activity affects the government as well, because if the taxes go down there is less money that the government receives from the different factories and or businesses

that pays these taxes. This will also trigger a change in our economy in some different form or fashion.

If taxes are going down, then you can best assure that inflation or the unemployment rate or both will be affected by this particular economic activity. The flow of resources from one entity to another is very important, because this is the flow that makes all of our economic activities so not only in our country but other countries as well. The flow of resources goes a little something like this for all of the economic activities that are listed above.

Household is the first flow of this, which is considered consumption, factor market is next on the list of importance, business production is where we go to work to make the products that in return pays the bills and buys the groceries. The goods market again, where we purchase the stuff from the wages that were made from the factories. Then the flow brings you back to the household so we can pay the rent or mortgage that is taxed by the government in order for them to continue to run our economy and hopefully to lower inflation and the unemployment rate.