

# Macroeconomics living standards

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



1. Define the GDP price index. Identify the person(s) who gave this idea.

A GDP price index is a measure of the price of a specified collection of goods and services in a given year as compared to the price of an identical or highly similar collection of goods and services in a reference year.

William Stanley Jevons (1835-1882) provided the earliest contribution to the development of index numbers. Later Wesley Clair Mitchell (1874-1948) contributed broader efforts to gather statistical data and improve economists' ability to assess economic well-being.

2. Define find the concept and measurement of `Business Cycles. Identify the person(s) who gave this idea.

Economy normally goes through a series of cycles, of booms and depressions condition. For example, a slowing business activity may undergo revival activity which in turn results in business prosperity, prosperity then may breed economic crisis, economic crisis then leads to depression, after a long period of depression it may then go back to some revival activity which goes back to the same cycle. Business cycles could represent the most serious of economic instability. Survey data and cyclical indicators are the most effective measurements of business cycles. This would allow prediction of economic crisis for prevention purposes.

The economist who contributed the most to this idea of business cycles is Wesley Clair Mitchell (1874-1948). John Maynard Keynes formalized the analysis of business cycles.

3. Define the idea of 'real interest rates'. Identify the person(s) who gave this idea.

The "real interest rate" is calculated from the nominal rate of interest, adjusted for compounding, minus the inflation rate. Real interest rate will depend primarily on the volatile inflation rates which poses some risk on borrowers and lenders.

The person who gave meaning to 'real interest rates' was Irving Fisher (1867-1947). The increase in nominal interest rates in anticipation of inflation is even called as "Fisher Effect" because of his contribution.

4. Indicate who first advanced the modern theory of business cycles and where he taught.

John Maynard Keynes contributed the most on the advancement of modern theory of business cycles. He lectured in Cambridge.

### **References:**

C. MacConnell, S. Brue (2005). Economics: Principles, Problems, and Policies, 16/e. Origins of Idea (Chapter 7). Retrieved January 7, 2007 from

[http://highered.mcgraw-hill.com/sites/0072819359/student\\_view0/chapter7/origin\\_of\\_the\\_idea.html](http://highered.mcgraw-hill.com/sites/0072819359/student_view0/chapter7/origin_of_the_idea.html)

[com/sites/0072819359/student\\_view0/chapter7/origin\\_of\\_the\\_idea.html](http://highered.mcgraw-hill.com/sites/0072819359/student_view0/chapter7/origin_of_the_idea.html)

C. MacConnell, S. Brue (2005). Economics: Principles, Problems, and Policies, 16/e. Origins of Idea (Chapter 8). Retrieved January 19, 2007 from

<https://assignbuster.com/macroeconomics-living-standards/>

[http://highered.mcgraw-hill.](http://highered.mcgraw-hill.com/sites/0072819359/student_view0/chapter8/origin_of_the_idea.html)

[com/sites/0072819359/student\\_view0/chapter8/origin\\_of\\_the\\_idea.html](http://highered.mcgraw-hill.com/sites/0072819359/student_view0/chapter8/origin_of_the_idea.html)

<https://assignbuster.com/macroeconomics-living-standards/>