

Macro econ

Literature, Russian Literature



Economics will entail how the society will allocate the limited resources in order to satisfy unlimited needs of people. The concept of scar is paramount in the study of economics, and it based on the idea that available resources are not sufficient to satisfy the needs of people. Increasing demand of goods and services and limited resources makes the phenomenon f scarcity necessary in the study of economics. Economics implies that people will have unlimited wants and needs and due to the scarcity of resources, people are forced to choose the needs to satisfy first since resources are limited. Therefore, scarcity will limit individuals on the basis of limited income, manpower and natural resources, and this puts a limit to the amount of products people have at their disposal.

An economy's income must be equal to its spending so as to ensure that there is a favorable balance of payments in the economy. For every buyer of a product there must be a seller, and this means that GDP, which is utilized in measuring the levels of expenditure and incomes must be equal. If the expenditures are more than the incomes, there is unfavorable balance of payments, and this implies that the economy is falling apart.

The GDP deflator is used to measure the tracks of all new products that are produced domestically and represents the total worth of products produced in an economy in a specific period. The GDP deflator will measure the ratio of current price GDP to the real GDP and will show how much the change in GDP from the specific year relies on the changes in prices of products. The consumer price index (CPI) is used to study the total output of the economy, and it is a cost of living indicator and measures the total cost of products purchased by consumers I a country. It helps in determining the purchasing

power currency has and compares this to past years to see determine the status of the economy.

Higher savings lead to higher standards of living because savings are the chief source of capital, which is to some extent the backbone of an economy. Savings will refer to accumulated funds, and this implies that an entrepreneur can use these funds to make an investment in the future. For example, when starting up a new venture, an entrepreneur will either use their savings or borrow from various institutions so as to fund the start up. If people could consume everything and not save, it implies that there will be no funds to be used in future in the event that an investment opportunity comes up. Moreover, when an individual takes a portion of the savings to reinvest or boost his or her business it is seen as a means of utilizing savings. Therefore, savings will lead to higher standards of living because they can be used on a later date to invest in a viable opportunity, which will produce profits hence improving the living standards of the individual, business or economy involved. More savings will mean a greater pool of capital is available to produce more products, hence this improves living standards.

Reference

Marshall, Alfred. Principles of Economics, 2006. New Delhi: Osprey Publishing.