

Fundamentals of Macroeconomics

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MACROECONOMICS

Gross Domestic Product (GDP)

GDP abbreviated as Gross Domestic Product can be defined as 'market value' of the finished goods and provisions that are produced or manufactured locally or nationally in any country within a specific time period. The macroeconomic activity in a country can also be calculated with the support of GDP as it also works as measurement tool (Jain, Ohri & Majhi, 2009). GDP can also be used to analyze the standard of living of any country.

Real GDP

Real GDP or Real Gross Domestic Product can be defined as measuring scale of the variations in price levels. Real GDP measures the value of financial productivity attuned for price variations created because of inflation, deflation or other things. When GDP is assessed in terms of market costs in some specific base year that is selected among other years, this is called real GDP (Jain, Ohri & Majhi, 2009).

Nominal GDP

Nominal GDP can be defined as assessment of GDP in terms of recent market costs. The Nominal GDP happens to incorporate all the transformations that occur in market costs because of inflation or deflation in a recent year. According to Jain, Ohri & Majhi (2009) inflation can be defined as the increase in the general price level while deflation can be defined as decrease in the general price level.

Unemployment Rate

The unemployment rate can be defined as the percentage that is calculated by dividing the number of unemployed people by number of total national labor force. This unemployment rate calculates the proportion of recent entire unemployed national labor force. All the civilians aged between sixteen and above excluding armed forces come under the category of national

labor force (Jain, Ohri & Majhi, 2009). Unemployed person can be defined as a civilian who is in search of work and is ready for work. All such persons come under the category of unemployed civilian labor force.

Inflation Rate

Inflation can be described as the reflection of plummeting in the procuring influence of currency. Inflation rate is the rate of transforming prices that are evaluated yearly or monthly. These prices are represented with the support of a price index. With time to time, inflation rate is utilized as a measuring rate to evaluate yearly price change with the price index such as consumer price index (Jain, Ohri & Majhi, 2009).

Interest Rate

Interest rate can be defined as the rate of interest that is taken from the money borrower. Consider that an entrepreneur takes some funds from a bank at a fixed interest rate to buy a property or to expand a business. The rate applied depends on the time period to return the whole amount and the capital borrowed from the lender. Interest rate is a fixed percentage of the capital that is taken in installments from the borrower or in a single amount plus the interest after the predetermined period of time (Jain, Ohri & Majhi, 2009).

Purchasing of groceries

Groceries are considered to have much importance in our home economics. It is the duty of the government to apply such taxes on those goods that they do not impact the common buyer. In this way, the government should precisely make strategies to control the prices of the groceries. Every household purchases groceries, giving it the highest priority. Every household should attain its enough shares of the groceries available in the store. Government assistance is required by some household who have less purchasing power to buy groceries. In the similar

manner, buying groceries impacts the entrepreneurs. According to Gans, King & Mankiw (2011), consumers search for better options for buying groceries and travel to outside locations to attain better options of spending less and buy more, thus, the business have to be competitive to maintain their existence.

Massive layoff of employees

Massive layoff of employees reduces the capability of the employees to buy goods and services and thus, reduces the ability to produce the goods and services due to lesser demand. Massive layoff of employees impacts the governments, businesses, and household in a direct and indirect manner. The GDP (Gross Domestic Product) and CPI (Consumer Price Index) are both affected due to a great number of employees being out of work and thus government has to support (Gans, King & Mankiw, 2011). The two measures (GDP and CPI) are known to affect the price of the goods.

Decrease in taxes

A group of economists has the view that lower tax rates benefits business in many ways. It allows the small entrepreneurs to take risks, borrow funds, and expand its size, quality of goods and services (Gans, King & Mankiw, 2011). However, it is unable to control the inflation with lower tax rates with the implementation of better policy. On the other hand, some economists believe that lower tax rates are only to benefit the rich, as it is inappropriate to implement the similar tax rate to both the rich and the poor. Decrease in taxes affects households because household has increased disposable revenue.

References

Gans, J., King, S., & Mankiw, G. (2011). *Principles of Macroeconomics*. CengageBrain. com.

Jain, T. R., Ohri, V. K., & Majhi, B. D. (2009). *Principles Of Macroeconomics*. FK Publications.