

MACROECONOMICS

7-1. Macroeconomics field: since the Macroeconomics is a branch of economic that deals with the performance, structure, and behavior of a national economy as a whole, so the Macroeconomists seek to understand the determinants of aggregate trends in an economy with particular focus on national income, unemployment, inflation, investment, and international trade.

While macroeconomics is a wide field of study, there are two areas of research that are exemplary of the rule:

- Attempt to understand the determinants of long-run economic growth (increases in national income).
- Attempt to understand the causes and consequences of short-run fluctuations in national income (the Business Cycle).

7-2. Measures of national income and output

Measures of national income and output are used to estimate the value of goods and services produced in an economy. They use a system of national accounts first developed during the 1940s.

Some of the more common measures for national income are :

Gross National Product (GNP): is the total value of all final goods and services produced by country's factors of production and sold on the market in a given time period usually one year.

Gross Domestic Product (GDP): is the total value of final goods and services produced within a country's borders per year.

Gross National Income (GNI): the total income paid to the factors that produced goods and services.

Net National Product (NNP): is GNP minus depreciation).

Net National Income (NNI): is NNP minus indirect taxes.

Measures of national income

$$\text{GDP} = C + I + G + (X - M)$$

$$\text{GNP} = C + I + G + (X - M) + \text{NR}$$

$$\text{GNI} = C + I + G + (X - M) + \text{NR} - \text{IBT}$$

$$\text{NI} = C + I + G + (X - M) + \text{NR} - \text{IBT} - \text{CC}$$

When:

C = Personal consumption expenditures

I = Gross private domestic investment

G = Government consumption expenditures

X = Gross exports of goods and services

M = Gross imports of goods and services

NR : Net income from assets abroad

CC : Depreciation

IBT = Indirect business taxes