

Aggregates - GDP

Definition of GDP: the total value of final goods produced and services provided on a given territory during a given period at the market prices.

Aggregates - GNP

Definition of GNP: the total value of final goods produced and services provided by citizens of a given nation during a given period at market prices.

Aggregates - dichotomies

<p>Flux:</p> <p>An amount of change in a quantity during a given period. Example: GDP.</p>	<p>Stock:</p> <p>A quantity that accumulates over time. A definite quantity. Example: The national debt.</p>
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<p>Gross:</p> <p>Gross refers to a total amount made but doesn't account for expenses, losses, etc. Ex: GDP includes depreciation</p>	<p>Net:</p> <p>A quantity including deductions. Ex: NDP = GDP - depreciation. Net income = revenue - costs, taxes, interest, etc.</p>
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<p>Real:</p> <p>The real value of a figure is its value in terms of some other good, service or bundle of goods. Ex: Real GDP is current GDP relative to the prices of some base year.</p>	<p>Nominal:</p> <p>The value of a good in terms of money. Ex: 2012 U.S GDP was \$16 trillion.</p>
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Aggregates - Measurements of GDP

GDP:

$$f(K_t, N_t, A_t)$$

$$w_t N_t + (r_t + d) K_t + P_t I_t$$

$$C_t + G_t + X_t + I_t$$

K_t = capital. Machines, factories, etc.

N_t = labor, hours people work

A_t = Productivity. How productive is this territory

w_t = wages, employee compensation

r_t = rate of interest

d = depreciation

$P_t I_t$ = profits

C_t = consumption

I_t = Gross investment = $K_t \cdot 1 - K_t(1-d)$. Net Investment = $K_t \cdot 1 - K_t$

G_t = Government expenditure

X_t = net exports = exp - imports

A - How do we detrend a variable and why?

So that we can better observe the cyclical component of the data. Example: GDP is constantly growing but if we detrend we can better observe the cyclical component of the data. We can use techniques such as an HP filter to detrend.

A - Populations and Unemployment

Population: Includes labor force and everyone else.

Labor force: Includes unemployed and employed.

employed: Currently working

Unemployed: - Of working age

Aggregates - Inflation

Inflation: The rate at which the general level of prices for goods and services is rising, and, subsequently, purchasing power is falling. Can be approximated using:

$$\text{gdp deflator} = \text{nominal gdp} / \text{real gdp} * 100.$$

and



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