Macroeconomics

Name of student:

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Course:

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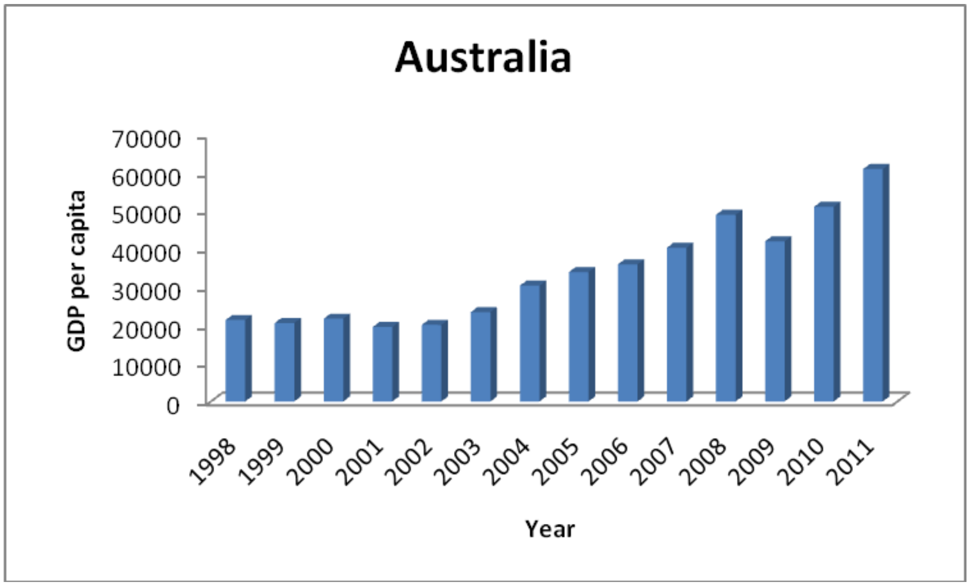
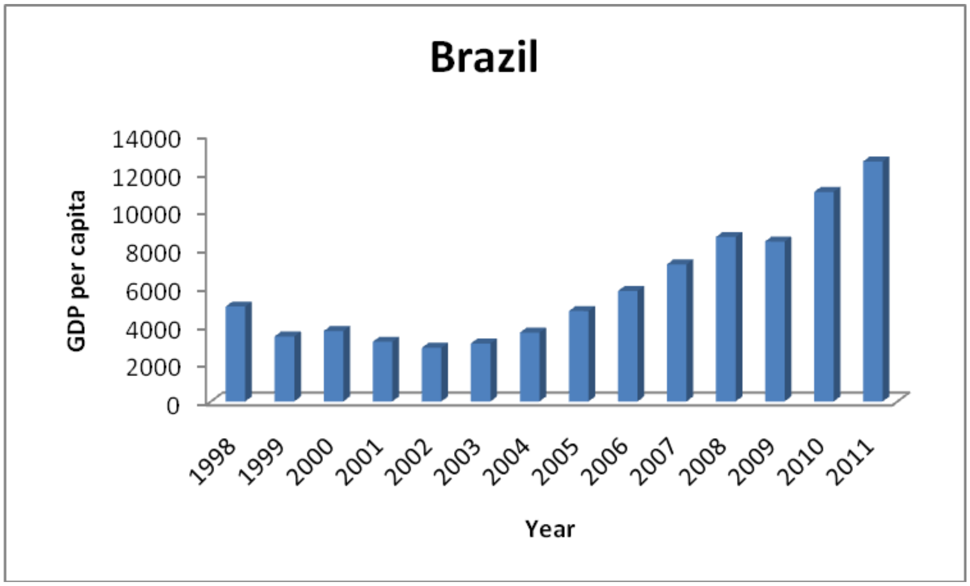
Date of Submission:

Chart 1. GDP per capita for Australia



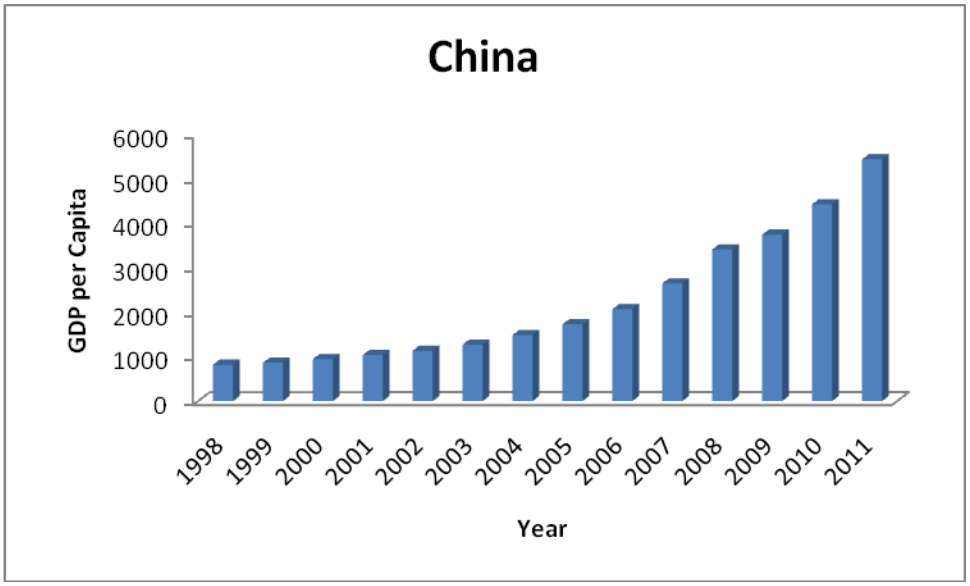
The economy of Australia from the year1998 through to the year 2002 was stagnating due to economic recession that hot developed countries in the early 2000s. However, in the last quarter of 2003 most of the developed economies rebounded. This is reflected by the chart above that shows that GDP per capita growth in Australia rebounded from the year 2004. By the year 2008, the GDP per capita level of Australia had reached twice the level of GDP per capita of the year 2001. GDP per capita slowed down as a result of financial crisis that hit the world in 2009 slowing down most of economies of the world. However with gradual recovery in the year 2010 gave the Australian economy some lifeline as it occasioned increased GDP per capita on 2010 that continued to 2011.

Chart 2. GDP per capita for Brazil



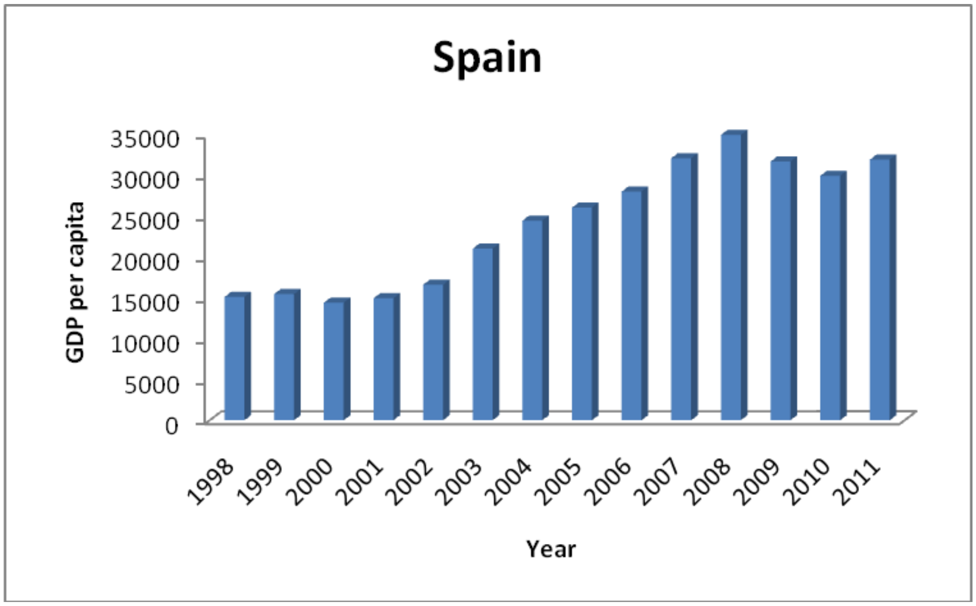
Brazil’s economy so is GDP per capita was on a downward trend from the year 1999 through to 2003, a similar economic situation that faced developed economies. During the early 200s, developed countries experienced mild recession, which affected even emerging economies like Brazil and India. Growth was restored in the fourth quarter of 2003 and as a result most of world economies during this period witnessed economic growth. From the graph, Brazil, for example, experienced steady growth from the year 2004 to the year 2008. However, Brazil GDP per capita reduced marginally in the year 2009 following the global financial crisis that hit the world. GDP per capita growth was restored in 2010 and continued through 2011.

Chart 3. GDP per capita for China



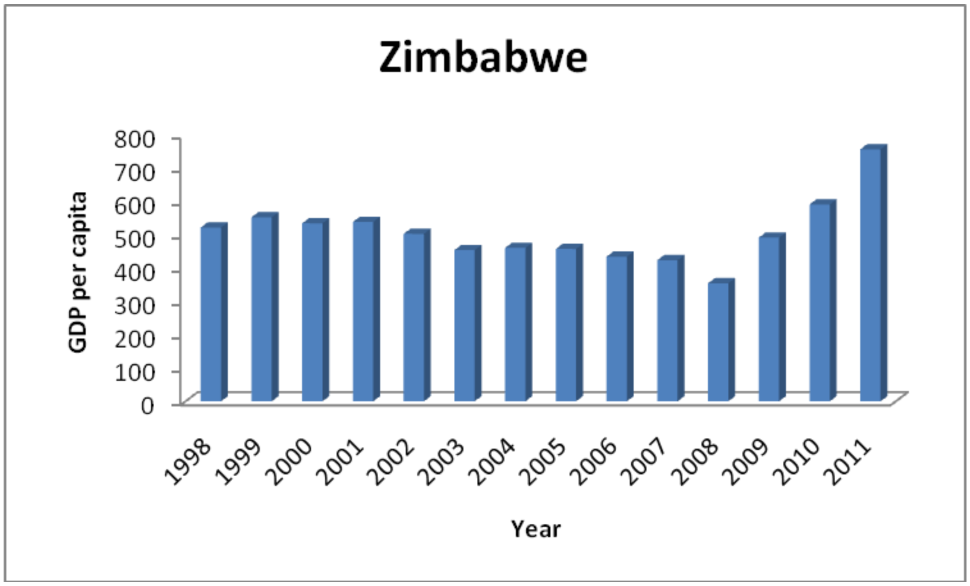
According the chart above the GDP per capita for China has been on an upward sloping trend from 1998 to present. Surprisingly, Chinese economy withstood the early 2000s economic recession that hit developed economies and affected emerging economies such as Brazil and India. Similarly, Chinese economy withstood the recent financial crisis in 2009 that slowed most of the economies. This illustrates resilience of the Chinese economy backed by sound economic policies that fosters growth even in times of economic crisis, and thus steady growth in GDP per capita throughout the years from 1998 to 2011.

Chart 4. GDP per capita for Spain



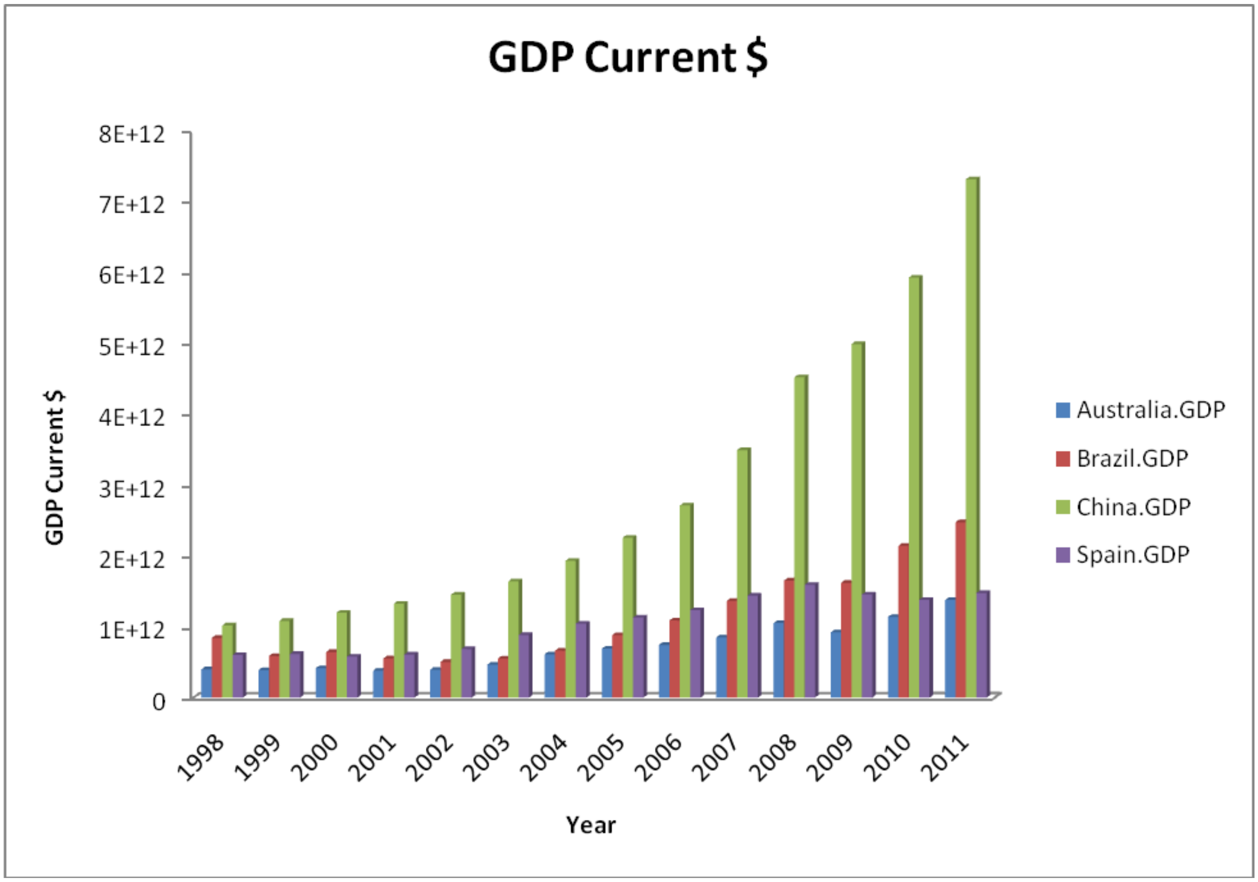
Spain economy, just like any ither developed economy, experienced stagnant or a slow down during the early 2000s recession that ended in the fourth quarter 2003. From the year 2004 through the year 2008, Spain witnessed steady growth in GDP per capita levels. The steady growth was, however, cut short by the global financial crisis and the Euro crisis that hit developed economies and European member countries respectively. Though Spain witnessed a rise in GDP per capita in 2011, it was extremely marginal.

Chart 5. GDP per capita for Zimbabwe



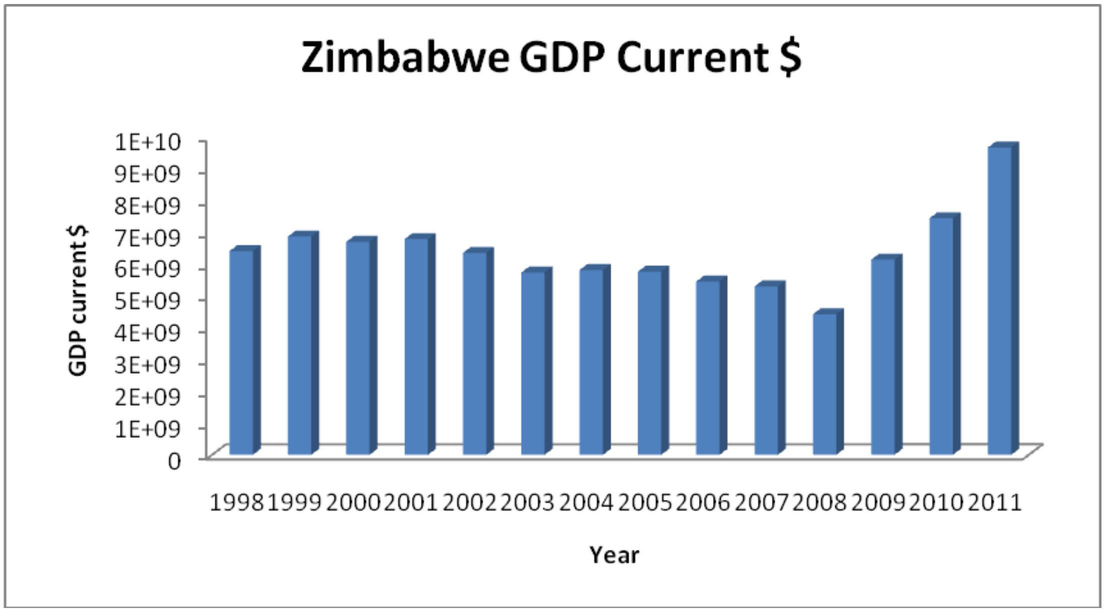
Zimbabwe is a country found on the southern region of Africa. The African economy was once an economic powerhouse in Africa. According to Ewane (2008) Zimbabwe at independence was one of the strongest economies in the southern region of Africa and by extension in Africa. However, the graph above shows that from the year 1999 to the year 2008, Zimbabwe's economy slowed down, with the GDP per capita reducing from almost 600 in 1999 to a record low of 380. Poor economic and governance policies that rocked Zimbabwe at the start of the millineum are to blame for the drastic fall in GDP per capita levels between the year 2000 and the year 2008. Surprisingly, Zimbabwe recorded an increase in GDP per capita in 2009 when most of the world economies, especially developed, economies were experiencing a slow down. The third world country has maintained steady growth for the past three years , 2008-2011.

Chart 6. GDP Current $ for Australia, Brazil, China and Spain



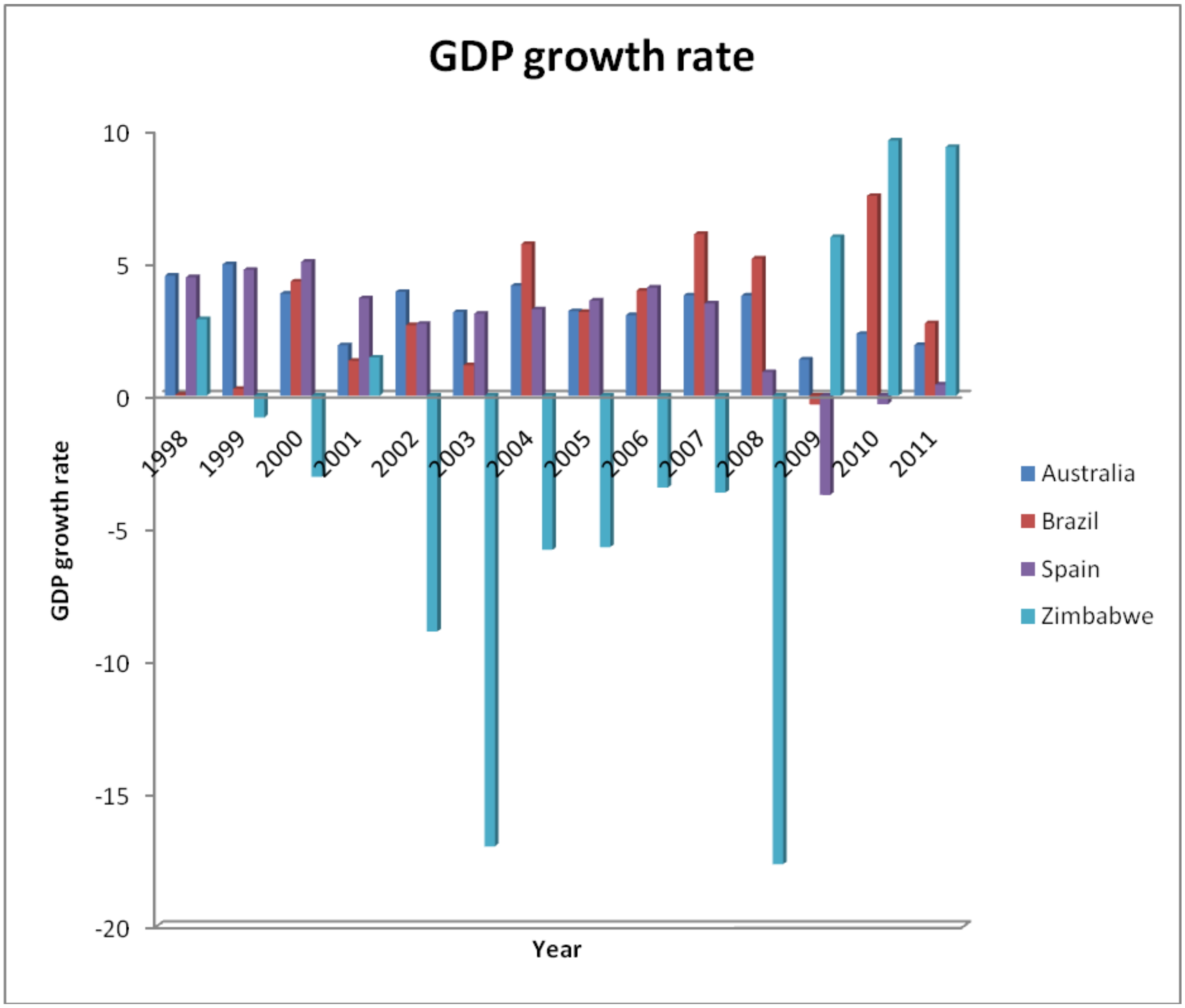
Plotting GDP current $ for countries, Australia, Brazil, China, Spain and Zimbabwe on the same plot line reveals that Zimbabwe's GDP current $ level is way below the other countries. Therefore it is moved to a separate graph for it to be visible. Chinese GDP current $ has been on an upward slope from the year 1998 to the year 2011 because of robust economic policies. From 2008, Brazil overtook Spain in terms of GDP current $ because Spain is experiencing economic challenges due to the Euro Zone crisis and inability to pay its sovereign debts. It is evident that Australia, though a first world economy, has a small economy in terms of GDP current $ compared to emerging economies such as Brazil and China.

Chart 7. GDP current $ for Zimbabwe



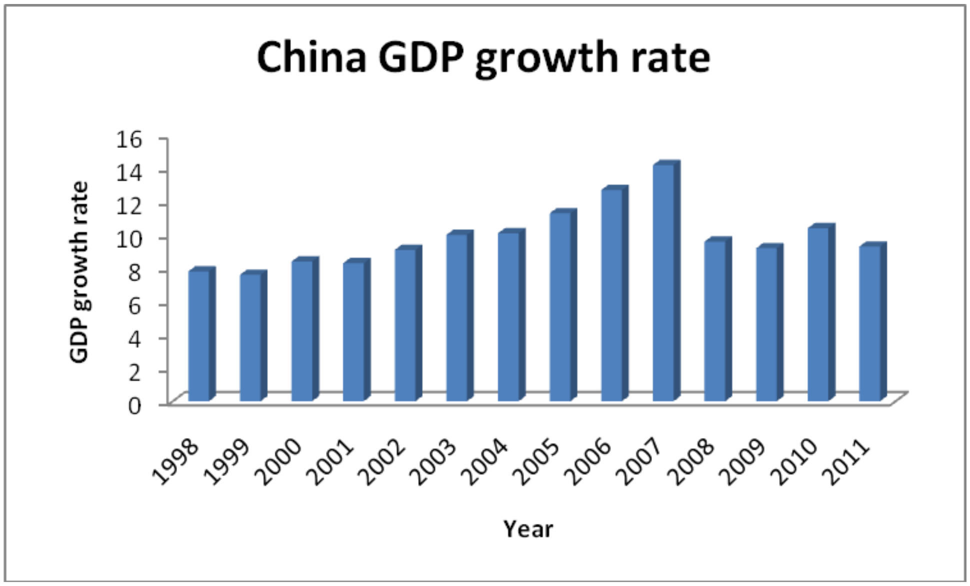
Due to the negligible size of Zimbabwe's GDP current $ compared to the other countries, Australia, Brazil, China and Spain. Zimbabwe's GDP current $ was moved to a separate chart to facilitate easier analysis. It is evident from the chart that GDP current $ for Zimbabwe started increasing from the year 2009. Surprisingly, it is the same year that countries were grappling with the Global Financial Crisis. The growth of GDP current $ has been on an upward sloping momentum from 2009 aided by favorable economic and political reforms being undertaken in Zimbabwe. The drastic fall in GDP current $ from the year 2000 to the year 2008 was as a result of social, economic and political policies that Mugambe's government took to Africanize Zimbabwe's economy, which had negative effect on economic environment of Zimbabwe.

Chart 8. GDP growth rate in Australia, Brazil, Spain and Zimbabwe



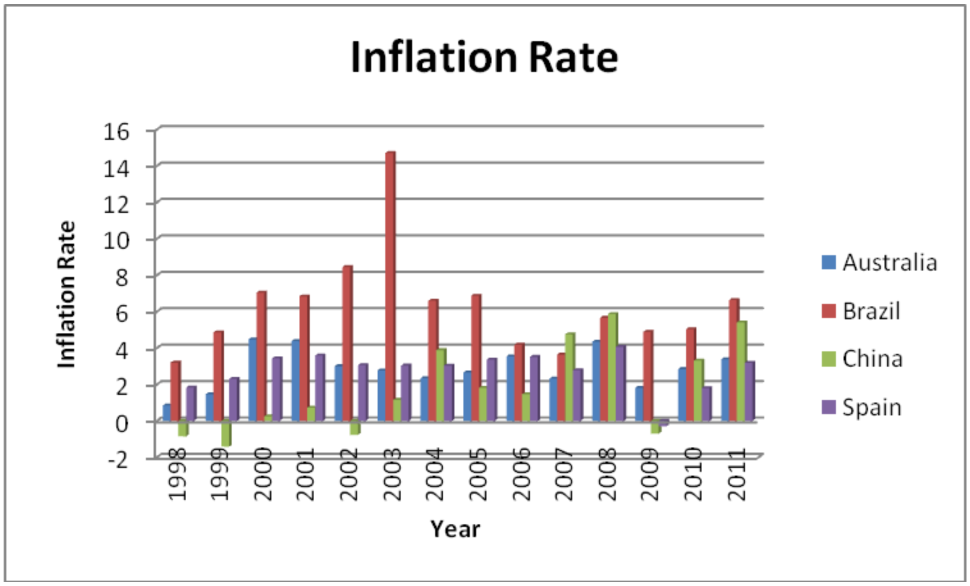
The four countries, namely Australia, Brazil, Spain and Zimbabwe have from the year 1998 experienced varied levels of GDP growth rate, with some experiencing negative growth rate. Zimbabwe, for example, experience negative GDP growth rate for seven consecutive years, between the year 2002 through the year 2008. Brazil and Spain in 2009 because of global financial crisis and Eurozone crisis respectively experienced negative GDP growth rates. None of the four countries achieved a double digit growth in GDP growth rate in two years.

Chart 9. China GDP growth rate



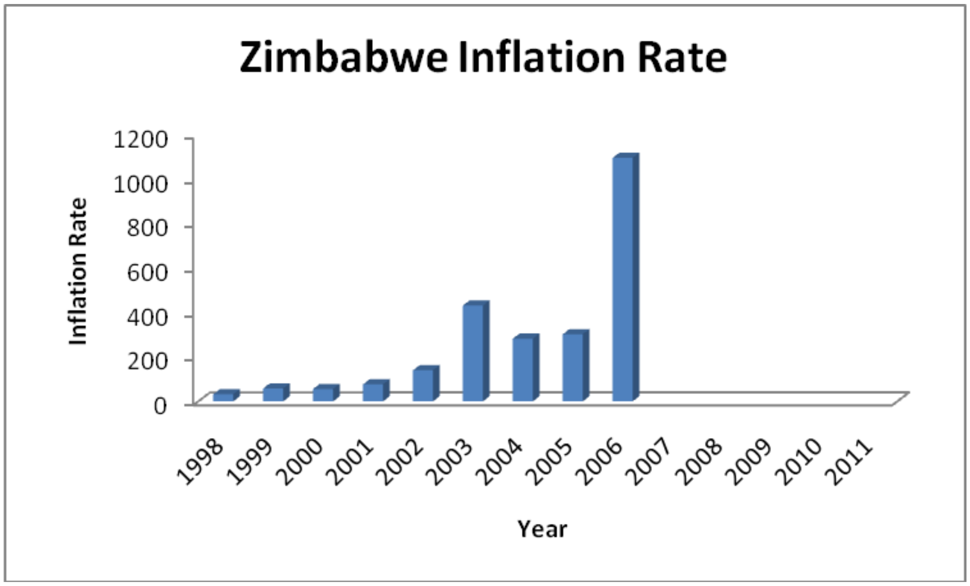
The GDP growth rate of China was an exception and could not have been analysed together with those of the other four countries because China has been recording super growth rate unlike the other four countries, namely Australia, Brazil, Spain and Zimbabwe. China GDP growth rate peaked at 15% in the year 2007 and since then has fallen to a single digit figure. The cause of a drop in GDP growth rate is as a result of overheating of the economic due to a previous sequence of high GDP growth rates.

Chart 10. Inflation rate for Australia, Brazil, China and Spain



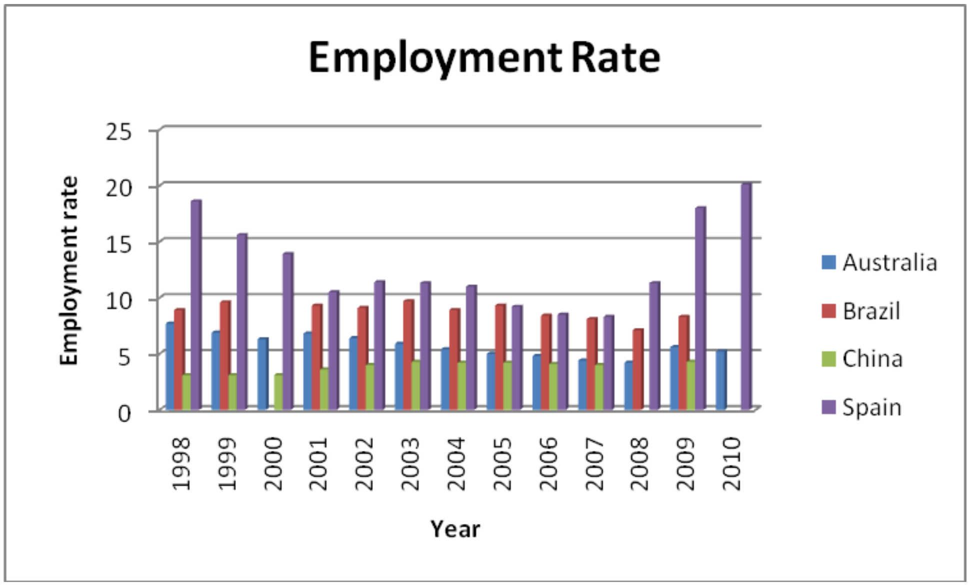
The inflation rate in the four countries namely Australia, Brazil, China and Spain has been relatively low, with the highest recorded inflation rate set at 15% for Brazil. China and Spain, on the other hand, have gone through deflationary periods. Australia is the only country that has maintained its inflationary levels sane, averaging 5%. Zimbabwe could have distorted the chart above of its inflation rate was analyzed together with the four countries because it has witnessed hyperinflationary regimes.

Chart 11. Inflation rate in Zimbabwe



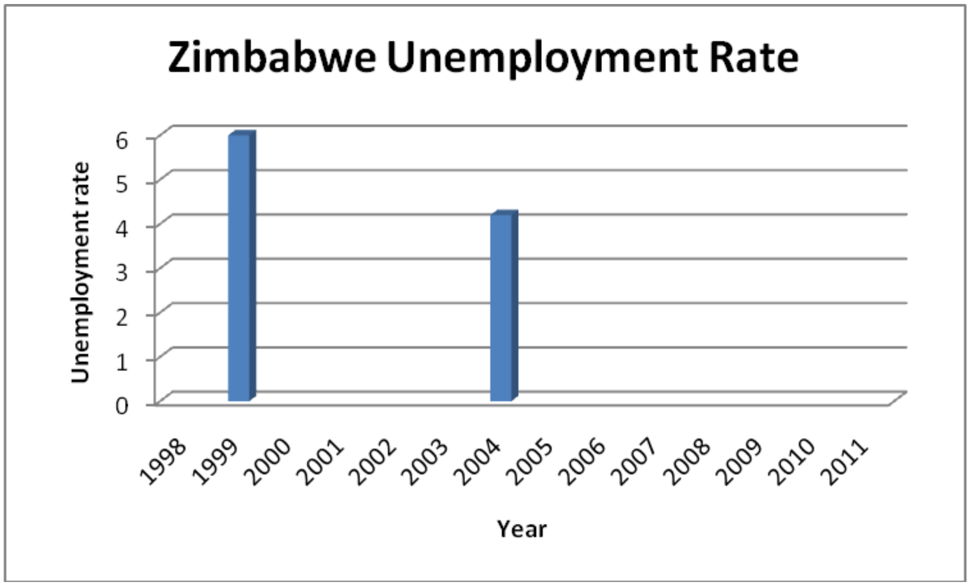
Inflation rate had to be analyzed separately because the country has in recent years experience hyperinflation, running into thousands and some periods hundreds.

Chart 12. Employment rate



Spain and Brazil are two countries of the four countries analyzed in the chart above experiencing high unemployment levels, with Spain's unemployment level peaking in 2010 due to the Eurozone Crisis. China and Australia relatively have been able to manage their employment rate.

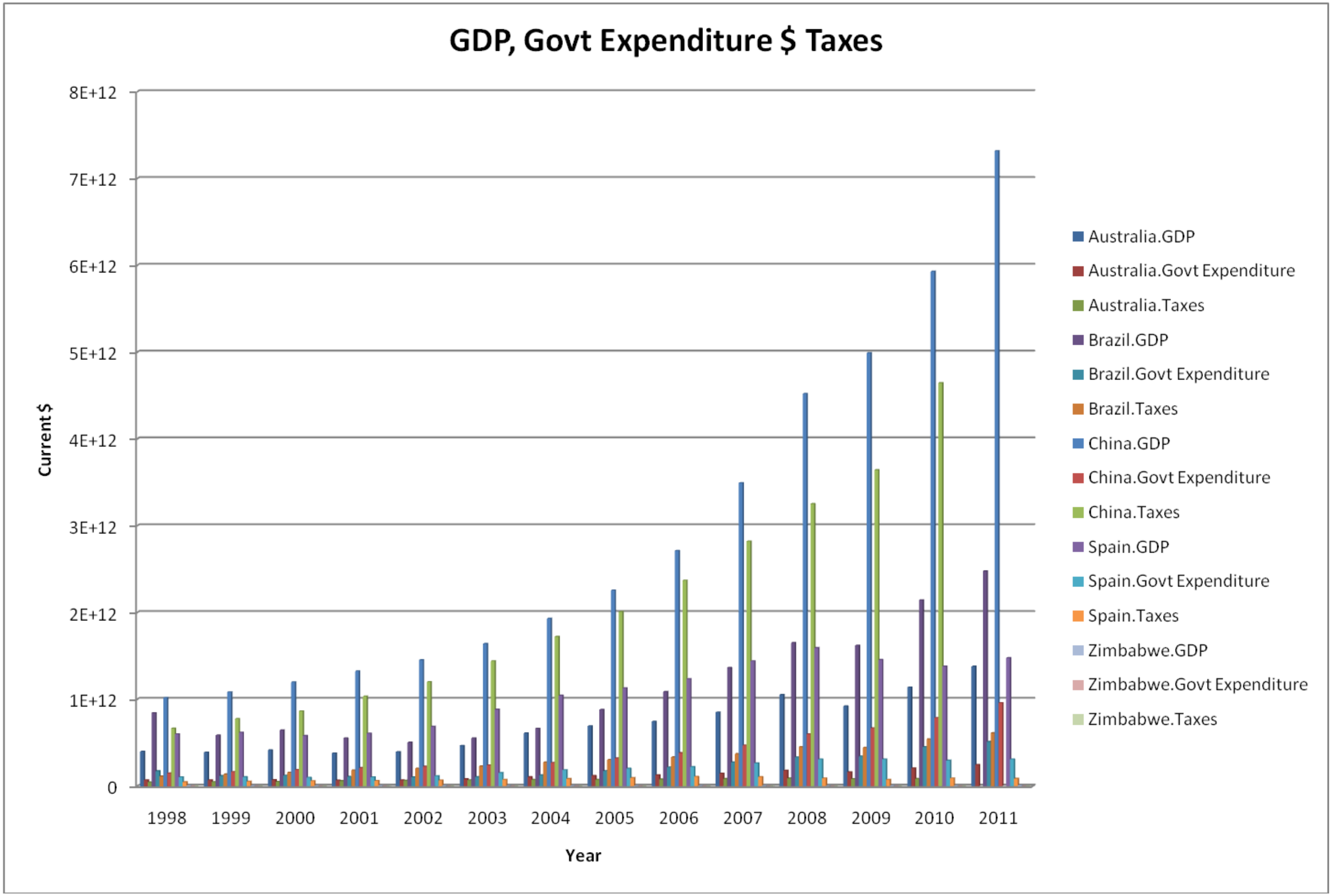
Chart 13. Unemployment rate in Zimbabwe



Zimbabwe's unemployment rate is inconclusive, therefore including it with the other countries in the previous chart would have painted a wrong picture, given the economic challenges Zimbabwe has been through over the past decade, unemployment levels must be at an all time high.

Chart 14. GDP, government expenditure and taxes.

A close analysis of all the graphs reveals that the GDP exceeds the sum of taxes and government expenditure.


GDP, Govt Expenditure $ Taxes
8E+12
7E+12
6E+12
5E+12
4E+12
3E+12
2E+12
1E+12
0
Current $
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
Year
Australia.GDP
Australia.Govt Expenditure
Australia.Taxes
Brazil.GDP
Brazil.Govt Expenditure
Brazil.Taxes
China.GDP
China.Govt Expenditure
China.Taxes
Spain.GDP
Spain.Govt Expenditure
Spain.Taxes
Zimbabwe.GDP
Zimbabwe.Govt Expenditure
Zimbabwe.Taxes

Part 2.

Gross domestic product comprises of consumption, taxes, investments, government expenditure and net inflow of exports. According to Kuroki (2012) consumption (C) is spending by households on goods and services. Invetments (S) is spending by forms on factories, office building, inventory and spending by households on new houses. Government spending (G) is spending by state, local government and federal state on goods and services. Net exports (NX) is the value of exports minus value of imports. Thus Y=GDP= C+I+G+NX.

Marginal propensity to consume or MPC is the change in consumption C divided by the change in oncome Y.

YD=C+S

AE=C+I+G+X-M

Y=AE

The level of equilibrium is the point at which expenditures equals income that is Y=AE, which is $28800

GDP	T	YD	C	I	G	NX	AE	UI	Y will:
$24000	$3000	$20100	$14100	$6000	$6000	$2700	$28800		$28800
$27000	$3000	$20100	$14100	$6000	$6000	$2700	$28800		$28800
$30000	$3000	$20100	$14100	$6000	$6000	$2700	$28800		$28800
$33000	$3000	$20100	$14100	$6000	$6000	$2700	$28800		$28800
$36000	$3000	$20100	$14100	$6000	$6000	$2700	$28800		$28800
$39000	$3000	$20100	$14100	$6000	$6000	$2700	$28800		$28800
$42000	$3000	$20100	$14100	$6000	$6000	$2700	$28800		$28800

References

Ewane, F. E. (2008). *Aid and conditionality: enhancing good governance on Sub-Saharan Africa*. Norderstedt: GRIN Velag.

Kuroki, R. (2012). *Keynes and modern Economics*. New York: Routledge.