Gross Domestic Product

There are several ways to evaluate a nation's economic performance. Gross domestic product (GDP) is the most important, despite its limitations. GDP changes in response to shifts in aggregate supply or aggregate demand.

Define the following terms

National income accounting-

Intermediate goods-

Durable goods-

Nondurable goods-

Nominal GDP-

Real GDP-

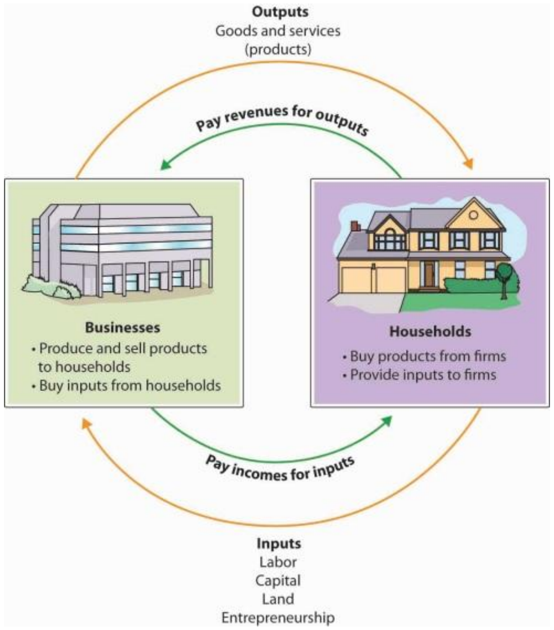
Gross National Product-

Depreciation-

Price Level-

Aggregate Supply-

Aggregate Demand-



1. What is gross domestic product?

2. How is the expenditure approach used to calculate it?

3. How is the income approach used to calculate it?

4. What is the difference between nominal GDP and real GDP?

5. Describe four limitations of using GDP to measure economic growth:
    1.
    2.
    3.
    4.

6. How is the gross national product derived from the gross domestic product?

7. How is GDP related to aggregate supply and aggregate demand?

Business Cycles

A business cycle consists of successive periods of improvement and decline in a macroeconomy. Policymakers study business cycles to try to predict declines, lessen their effects, and speed economic recovery.

BUSINESS CYCLE		
Phases	Contributing Factors	Cycle Indicators
1.	1.	1.
2.	2.	2.
3.	3.	3.
4.	4.	

1. What happens to consumer and business spending when the interest rates go up?

2. What are the leading economic indicators supposed to predict?

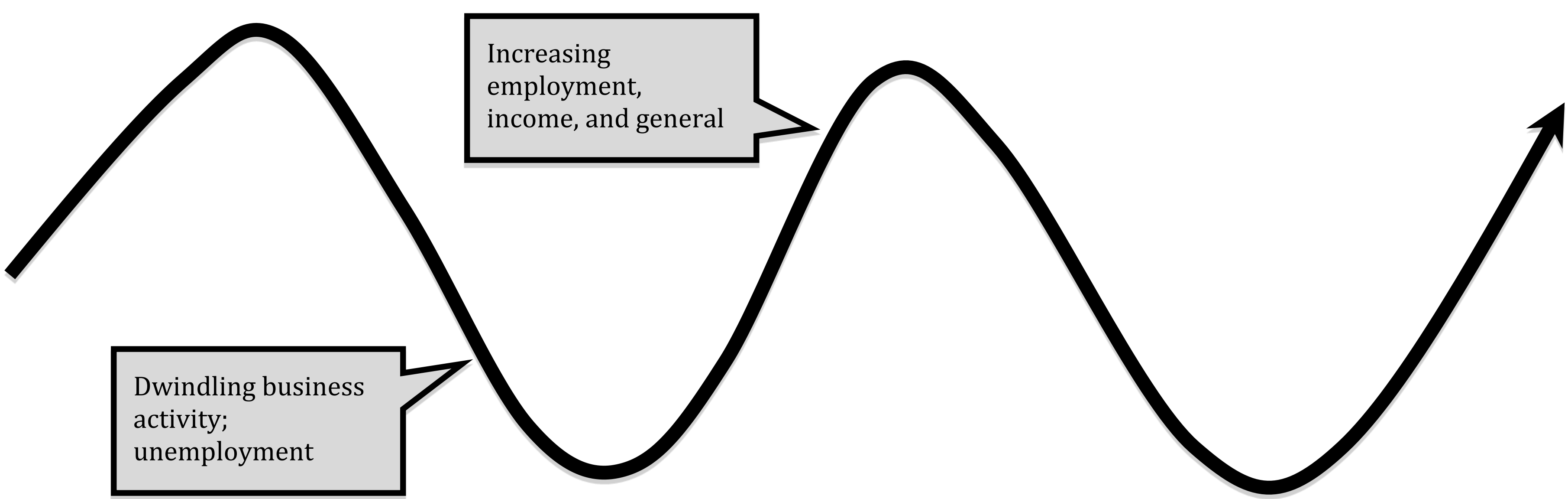
3. What finally brought the United States out of the Great Depression?

4. What was the major change in the U.S. economy in the 1990s?

Define the following terms

Business Cycle	Trough
Expansion	Recession
Economic Growth	Depression
Peak	Stagflation
Contraction	Leading Indicators

Label the different points on the business cycle.



Economic Growth

Economic growth is a steady, long-term increase in a nation's real GDP that tends to raise living standards. Primary contributors to long-term growth include capital deepening, saving and investing, and advances in technology. The other factors that affect economic growth are population, government, and foreign rule.

Main Idea: Capital deepening is an important source of growth in modern economics.

1. How does capital deepening increase output per worker?

2. How is human capital deepened?

Main Idea: The rate of saving and investment affects the economy.

3. What happens when saving rises?

4. How does increased investment help the economy?

Main Idea: Population, government, and trade all directly affect the economy.

5. What happens when population grows and capital remains constant?

6. How do government taxation for consumption spending and importing goods for short-term consumption affect economic growth?

Main Idea: Technological progress is a key source of economic growth.

7. How do economists measure the impact of technological progress on economic growth?

8. How does the government aid technological innovation?

Answer the following questions.

9. How does an economist compare the standard of living in two different countries?

10. If the government uses tax money to pay for long-term investments such as roads or other infrastructure, what happens to the economy?

11. What is one way to measure technological progress?

12. What is labor productivity?

13. How can a trade deficit actually increase the productivity of an economy?

Define the following terms

Real GDP per capita-

Capital Deepening-

Saving-

Savings Rate-

Technological Progress-