

Unit 5 Lesson 1 GDP

Word Bank

Underground economy, National accounting, Non-market activities, nominal GDP, Gross Domestic Product (GDP), negative externalities, intermediate goods, quality of life, income, expenditure, Real GDP

Economists monitor the macro-economy using \_\_\_\_\_, a system that collects statistics on production, income, investment, and savings.

\_\_\_\_\_ is the dollar value of all final goods and services produced within a country's borders in a given year.

GDP does not include the value of \_\_\_\_\_, which are goods used in the production of final goods and services.

Explain an example of intermediate goods that are not counted (not in word bank): \_\_\_\_\_

\_\_\_\_\_

$GNP = GDP + (\text{Income earned outside of the US by US firms and citizens}) - (\text{income earned by foreign firms and foreign citizens located in the US})$

Describe the difference between GNP and GDP (not in word bank): \_\_\_\_\_

\_\_\_\_\_

HOW GDP IS CALCULATED:

\_\_\_\_\_ approach

Add up all of these expenditures:

consumer goods and services, business goods and services, government goods and services, net exports or import of goods and services

Consumer goods include durable goods and nondurable goods

\_\_\_\_\_ approach

Add together all the income of the workers and owners that make the goods and services

Ideally the two approaches should be equal.

Limitations of GDP:

\_\_\_\_\_ like mowing your lawn

The \_\_\_\_\_ such as the black market

\_\_\_\_\_ : smoke stacks might have more production but cause more pollution

\_\_\_\_\_ – taking a park and turning it into a mall would increase GDP

Nominal Versus Real

\_\_\_\_\_ is the actual dollar value. However, \$100 in 1900 is not the same as \$100 in 2000. \_\_\_\_\_ takes into account inflation. A base year is established and all GDP values are calculated using the base year.