

Section 1: Quiz

Gross Domestic Product



A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. a system that collects macroeconomic statistics on production, income, investment, and savings
- _____ 2. the dollar value of all final goods and services produced within a country's borders in a given year
- _____ 3. consumer goods that last for a long time
- _____ 4. loss of the value of capital equipment that results from normal wear and tear
- _____ 5. the average of all prices in the economy

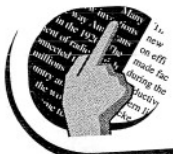
Column II

- a. gross domestic product (GDP)
- b. depreciation
- c. price level
- d. durable goods
- e. national income accounting

B. Main Ideas

Write the letter of the correct answer in the blank provided.

- _____ 6. What are intermediate goods?
 - a. goods that are not sold or exchanged in an economy
 - b. goods used in the production of other goods
 - c. goods that were sold in earlier years
 - d. goods that are produced outside the country
- _____ 7. How does an economist calculate GDP for one year using the expenditure approach?
 - a. add together all the amounts spent on final goods and services
 - b. add up all the incomes received
 - c. add the amounts spent on goods and services to the incomes received
 - d. subtract the amounts received as income from the goods and services
- _____ 8. What is the underground economy?
 - a. the amount spent for environmental cleanup and similar products
 - b. the goods and services people make or do themselves
 - c. the products and income that are not reported as income to the government
 - d. costs of such things as personal safety, vacations, and sick pay
- _____ 9. Which of the following is a nondurable good?
 - a. washing machine
 - c. bicycle
 - b. air conditioner
 - d. gasoline
- _____ 10. What is the difference between real GDP and nominal GDP?
 - a. Real GDP is accurate to hundreds of dollars; nominal GDP is accurate to thousands of dollars.
 - b. Real GDP includes nonmarket activities; nominal GDP has no nonmarket activities.
 - c. Real GDP is based on constant prices; nominal GDP is based on the current year's prices.
 - d. Real GDP allows for depreciation; nominal GDP allows for no depreciation.



Section 1: Guided Reading and Review

Gross Domestic Product

CHAPTER 12

A. As You Read

As you read Section 1, answer the following questions about gross domestic product.

1. What is the 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? _____

Describe four limitations of using GDP to measure economic growth:

5. _____

6. _____

7. _____

8. _____

~~9. How is the gross national product derived from the gross domestic product? _____~~

~~10. How is GDP related to aggregate supply and aggregate demand? _____~~

B. Reviewing Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided. You will not use all the terms.

Column I

- ___ 11. a system that collects macroeconomic statistics on production, income, investment, and savings
- ___ 12. goods used in the production of final goods
- ___ 13. GDP measured in current prices
- ___ 14. goods that last a short period of time
- ___ 15. GDP expressed in constant, or unchanging, prices
- ___ 16. goods that last for a relatively long time
- ___ 17. loss of the value of capital equipment that results from normal wear and tear
- ___ 18. the total amount of goods and services in the economy available at all possible price levels
- ___ 19. the average of all prices in the economy
- ___ 20. the annual income earned by U.S.-owned firms and U.S. residents
- ___ 21. the dollar value of all final goods and services produced within a country's borders in a given year

Column II

- a. real GDP
- b. nominal GDP
- c. aggregate supply
- d. nondurable goods
- e. price level
- f. intermediate goods
- g. depreciation
- h. national income accounting
- i. gross domestic product
- j. durable goods
- k. gross national product
- l. aggregate demand

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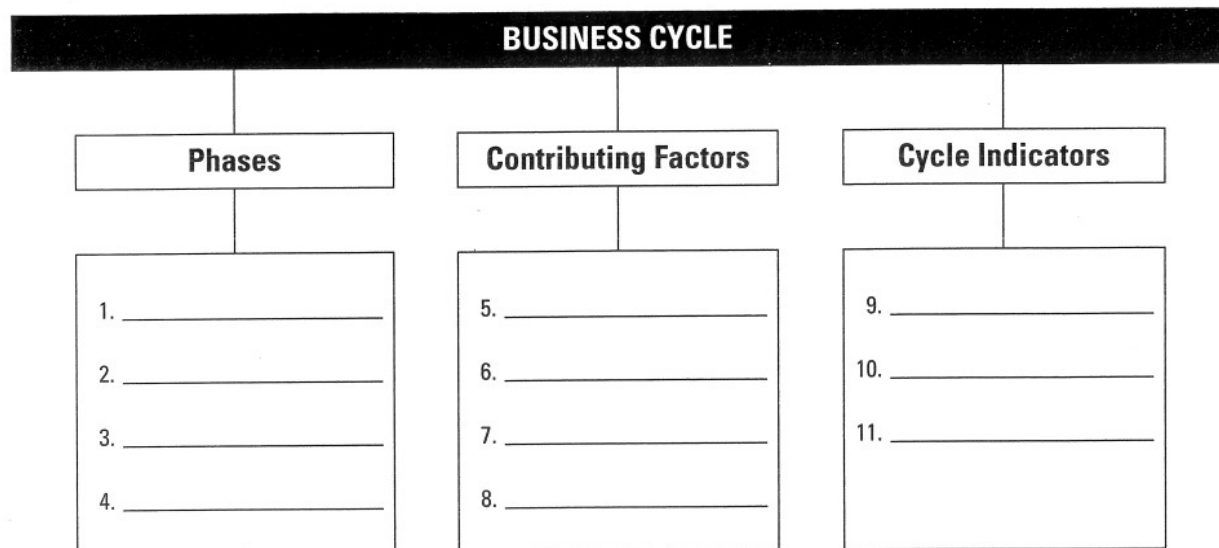


Section 2: Guided Reading and Review

Business Cycles

A. As You Read

As you read Section 2, fill in each item in the following diagram.



B. Reviewing Key Terms

Define the following terms.

12. business cycle _____
13. expansion _____
14. economic growth _____
15. peak _____
16. contraction _____
17. trough _____
18. recession _____
19. depression _____
20. stagflation _____
21. leading indicators _____

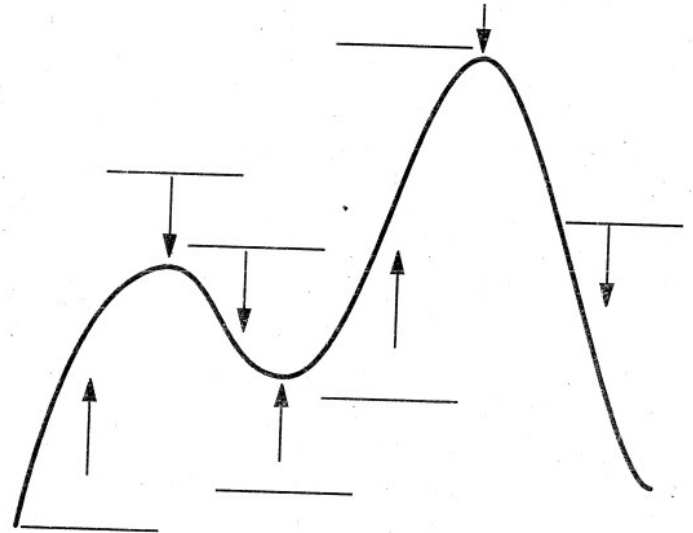
14. ECONOMIC STABILITY

Name _____ Date _____

ECONOMIC SKILLS LAB THE BUSINESS CYCLE-INTERPRETING DIAGRAMS

Use the diagram at right to answer the following questions about fluctuations in the economy.

1. Label each "arrow" in the diagram as Recession, Peak, Expansion, or Trough.



2. During which phase or period is production increasing? Why?

3. During which phase is unemployment likely to be the lowest? Why?

4. As the economy moves from "recession" to "expansion," what is likely to happen to...

wages? _____.

investments? _____.

employment? _____.

profits? _____.

5. What phase of the cycle is the economy in at this time? Explain your answer.
