Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Guided Notes - Gross Domestic Product**

**Directions:** Read section 12.1 (pgs. 301-308) of the textbook and complete the questions that accompany the reading.

1. Using historical support, why is it necessary for the government to be able to monitor the economy?

2. What information would YOU submit to provide income for the national income accounting system?

3. gross domestic product -

4. Use your PRIOR KNOWLEDGE to match the individual words with their meanings in GDP

\_\_\_\_\_ Gross a. within a country’s border

\_\_\_\_\_ Domestic b. good or service

\_\_\_\_\_ Product c. entire; whole

5. What is dollar value?

6. What are you most likely to use, final goods or intermediate goods? Explain why.

7. True or False \_\_\_\_\_\_ Are goods produced by an American shoe company in Canada counted

in the figures that help determine the GDP?

8. What is counted in the yearly GDP, the cost of the materials needed to make you phone or the price of the phone when it sells? (Circle the correct answer)

9. What four categories are counted in the GDP when calculating using the **expenditure approach**?

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
3. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
4. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

10. Why is the pizza you eat for dinner NOT considered a durable good?

11. Why do economists use both the expenditure approach and the income approach to calculate the GDP?

12. Nominal GDP -

13. What factor interferes with the calculation of the GDP when only the nominal GDP is used?

14. What do economists use to deal with the problem that arises in the previous question?

How does the “underground economy” interfere with the calculation of the GDP?

15. According to the text, “while the measure itself may be imperfect, when calculated \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, over time, it helps reveal \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

16. What would you consider capital equipment at a 7-Eleven? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_How might depreciation take place with that capital equipment?

17. If the price level for a product rises, how would a producer respond?

18. In terms of demand, as the price level \_\_\_\_\_\_\_\_\_\_\_\_, purchasing power \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, causing a reduction in the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and services demanded.