Section 1 – pages 348 – 352

1. What is gross domestic product?
   a. The _____________________ of all final goods & services produced in a
      _______________________________ in a _______________________________
      year

2. What problem arises because the GDP uses sampling techniques? Cap 349
   a.

3. GNP (Gross National Product) is a measure of ____________________________

4. GDP (Gross Domestic Product) is a measure for ____________________________

5. If cash changes hands in a secondhand sale, why is it not included in the GDP? VI 350
   a. Because _______________________________ new wealth is created
   b. Secondhand sales are sales of _______________________________ goods counted earlier in GDP.

6. How do secondhand sales differ from intermediate products? Cap 350
   a. Intermediate products (tires for new cars) are used in the making of other products that will
      _______________________________ be in GDP.
   b. Secondhand sales are sales of _______________________________ goods counted earlier in GDP.

7. How is a decline in GDP usually interpreted? QC 351
   a. The country is not doing as well _______________________________ as it was before

8. How would the proposed Measure of Economic Welfare (MEW) differ from GDP?
   a. It would take into account such negative factors as the cost of _______________________________
      and such positive factors as increases in _______________________________.

9. A key concept of GDP is that it includes only the goods _______________________________
      in a given nation. The American GDP, for example, _______________________________
      include automobiles made at an American-owned plant in Canada, but _______________________________
      include Hondas made in Ohio with Japanese funds. QC 351

10. How is GDP measured?
    a. Sampling techniques are used to _______________________________ all the goods, services, & structures
       produced within national boundaries in a given year.
    b. These products are _______________________________ by their prices to get the
       _______________________________ of production.

11. List 5 factors or characteristics to be aware of when considering GDP.
    a. 
    b. 
    c. 
    d. 
    e. 

12. Why is GDP an important concept?
    a. Measure of economic _______________________________
    b. Measure of economic _______________________________

13. What are the three categories of products that make up GDP?
    a. 
    b. 
    c. 

Section 2 – pages 354 – 359

a. Add
   b. Before
   c. Collective demand
   d. Consumer
   e. Consumer
   f. Corporate
   g. Deducted
   h. Disposable Personal
   i. Foreign-owned
   j. GDP
   k. GNP
   l. Government
   m. Gross National
   n. Imports
   o. Indirect business
   p. Investment
   q. National
   r. Net National
   s. Outside
   t. Outside
   u. Personal
   v. Personal
   w. Purchase
   x. Save
   y. Social Security
   z. Subtract
1. Why is GDP not a proper measure of the total income earned by American citizens? QC 355
   a. It excludes income earned by US resources ____________ national borders
   b. Includes ____________ goods produced in the US

2. What calculations are necessary to go from GDP to GNP?
   a. __________________ payments Americans receive from outside
   b. __________________ payments made to foreign-owned resources employed within US

3. Which sector receives disposable personal income? VI 355
   a. __________________ sector

4. How does it use this income?
   a. To __________________ & to __________________ goods & services

5. What is the definition of personal income?
   a. The total income received by individuals __________________ they pay personal taxes.

6. How is disposable personal income different from personal income? QC 357
   a. It has individual income taxes __________________.

7. What does the foreign sector include?
   a. All consumers & producers __________________ the US.

8. What are 4 sources of government’s income?
   a. __________________ income taxes
   b. __________________ taxes
   c. __________________ contributions
   d. __________________ taxes

9. What is the difference between GNP & GDP?
   a. __________________ counts production only in the US, regardless of who owns resources
   b. __________________ measures income received by American citizens, regardless of where productive resources are located

10. List 5 measures of the nation’s income.
    a. __________________ Product
    b. __________________ Product
    c. __________________ Income
    d. __________________ Income
    e. __________________ Income

11. List 4 sectors used in the output-expenditure model.
    a. 
    b. 
    c. 
    d. 

12. What are the three main sectors that make up the US economy?
    a. __________________ – households in the US
    b. __________________ – business organizations
    c. __________________ – local, state & federal governments

13. What is meant by the term net exports of goods & services VI 359
    a. Difference between US exports & __________________

14. Describe the output-expenditure model. What is the formula?
    a. A macroeconomic model used to show __________________ by four sectors of the economy
       i. GDP = __________________

Section 3 – pages 361 – 364
   a. Captures f. Implicit BDP k. Rise
   b. Consumer g. Income l. Sectors
   c. Distortions h. Multiplied m. Spend
   d. Divided i. Not n. Trend
   e. Does not j. Producer

1. What does inflation mean?
   a. A __________________ in the general price

2. Why is it desirable to remove inflation from GDP?
   a. With inflation, it appears that output has grown when, in fact, it has __________________

3. When constructing the Consumer Price Index, why is the market basket the same from one year to the next?
a. Changing the basket would skew the overall _______ in prices.

4. Why is a market basket used whenever a price index is constructed?
   a. It _______ the overall trend in prices.

5. List 3 major price indices (indexes) that the federal government calculates...
   a. ____________________ price index
   b. ____________________ price index
   c. ____________________ price deflator

6. Why are price indices used to measure the economy?
   a. To reduce the _______ of inflation

7. Explain how the government uses the implicit GDP price deflator to convert nominal GDP to real GDP.
   a. Nominal GDP is ____________________ by the implicit GDP price deflator & then ____________________ by 100

8. Is Disposable Personal Income almost as important a measure of economic performance as GDP?
   a. DPI shows the ____________________ the consumer sector has to
   b. Has a disadvantage in that it ____________________ take into account the income of other ____________________ of the economy