

Name: _____

Saunders/Mrs. McNerney

Date: _____

Eco and Gov./_____

Do Now: What are bonds?

Gross Domestic Product: Notes 1

- Do you remember the _____ Hand?
- It was the _____ that the economy would always _____ itself.
- But when the _____ happened, the economy didn't seem to fix itself.

The Effects of the Great Depression on Economists:

- The Great Depression taught _____ that they needed some way of _____ the nation's economy.
- By tracking the nation's economy, economists could _____ if the economy was in danger of a recession or a _____ and could try to apply economic policies to prevent such _____ from occurring.
- The _____ (GDP) is a tool for tracking macroeconomic progress.

Gross Domestic Product (GDP)

- The Gross Domestic Product is the _____ value of all final goods and services _____ within a country's borders in a given year.
- In order for a good to be _____ in a nation's GDP, it must be made in that country.
- It doesn't matter if the factory is _____ by a foreign company as long as the factory is located in the _____ where GDP will be _____.
- By tracking GDP, economists can tell whether an economy is _____ (expanding) or shrinking (_____).
- It is _____ that the goods and services are made in the country.
- The companies can be _____ owned but must be _____ in the country.
- This leads to the _____ of jobs.
- GDP can be adjusted for _____.
- It is called _____ GDP.
- This _____ the problem of rising prices making GDP _____ to rise.

Real GDP

- While nominal GDP is _____ in current prices, real GDP is _____ for inflation.
- Inflation means _____ prices.
- The problem with GDP is it could _____ to rise when in reality only prices rose.
- In other words, one million in _____ dollars is not the same as one million in _____ dollars.
- The 2019 dollars must be _____ - to 1970 dollars in order to _____ compare the two amounts.
- _____ GDP is GDP that has been _____ for inflation.

Durable and Nondurable Goods

- The goods included in GDP are _____ and _____ goods.
- _____ - goods are goods that last for a _____ long time, such as refrigerators and cars.
- _____ goods last for a _____ - period of time like food and paperback _____.

- Just like going for your _____ physical allows you to _____ your health and _____ more serious problems from occurring, GDP tracks the _____ health.

Classwork: Answer the following questions in COMPLETE sentences.

1. What did economists believe about the economy before the Great Depression?

2. What is Gross Domestic Product or GDP and why is it important?

3. Why do economists adjust GDP for inflation and what is this adjusted GDP called?

4. What is the primary difference between durable and nondurable goods?

5. _____ GDP expressed in constant, or unchanging, prices is referred to as
 - a. Real GDP.
 - b. Nominal GDP.
 - c. Aggregate supply.
 - d. Aggregate demand.
6. _____ If we are using the expenditure approach, which of the following would we count in GDP this year?
 - a. trucks produced this year in Texas by a Japanese car company
 - b. cars produced this year in Brazil by a U.S. car company
 - c. a house sold this year that was built in 1992
 - d. lumber used to build a house this year
7. _____ Goods used in the production of final goods are
 - a. Durable goods.
 - b. Nondurable goods.
 - c. Intermediate goods.
 - d. None of the above.
8. _____ The annual income earned by U.S.-owned firms and U.S. citizens is referred to as
 - a. National income accounting.
 - b. Gross national product.
 - c. Gross domestic product.
 - d. Nominal GDP.
9. _____ A decline in real GDP combined with a rise in the price level is

<ol style="list-style-type: none"> a. A recession. b. A depression. 	<ol style="list-style-type: none"> c. Stagflation d. A trough
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10. _____ A period of economic growth as measured by a rise in real GDP is a(n)

<ol style="list-style-type: none"> a. Business cycle. b. Peak. 	<ol style="list-style-type: none"> c. Contraction d. Expansion
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11. _____ A steady, long-term increase in real GDP is

<ol style="list-style-type: none"> a. Economic growth. b. A depression. 	<ol style="list-style-type: none"> c. A peak d. A recession
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12. _____ Real GDP divided by the total population is referred to as

<ol style="list-style-type: none"> a. Capital deepening. b. Saving. 	<ol style="list-style-type: none"> c. Savings rate d. Real GDP per capita
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Do Now: What is the real GDP?

Gross Domestic Product: Notes 2

- A business cycle is a period of macroeconomic _____ followed by a period of _____.

The Four Phases of a Business Cycle

- There are _____ phases in a business cycle:
 - **Expansion:** a period of economic _____.
 - **Peak:** the _____ of the expansion.
 - **Contraction:** a period of economic _____.
 - **Trough:** the _____ point of the contraction.

Business Cycle

- During a period of _____, the economy experiences _____ growth.
- It experiences a steady, long-term _____ in real GDP.
- At the _____ of the expansion, the _____ occurs.
- The peak is the height of the _____.
- It occurs when real GDP _____ rising.
- The peak is _____ by a period of _____.
- _____ occurs when there is an economic _____ marked by a fall in real GDP.
- The _____ is the lowest point in an economic contraction, when real GDP stops _____.
- When an economy is _____ or growing, many people have jobs and many _____ and services are being _____ and sold.
- At the _____ of the expansion, Gross Domestic Product is as _____ as it will go for that particular _____ cycle.
- During a period of _____, more people are unemployed and _____ goods and services are being produced and _____.
- Not all contractions are _____ severe.

Recessions and Depressions

- Each _____ of the business cycle is determined by _____ Gross Domestic Product.
- A _____ that lasts for at least _____ months is called a _____.
- A particularly _____ and long contraction is called a _____.
- The _____ was the most severe economic contraction in the _____ of the world.
- It permanently _____ the way economists think.

Factors Which Affect the Business Cycle

- The following _____ factors can affect the business cycle:
 - _____ in Businesses
 - _____ Rates
 - _____ Expectations
 - External _____
- The more money people _____ in businesses, the more money businesses have to _____.
- _____ affects the business cycle.
- _____ is the price of _____ money.
- When interest rates are _____, people borrow _____.

- Businesses _____ less too.
- Interest rates _____ the business cycle.
- When people are _____ about the future, they _____ more money.
- _____ affects the business cycle.
- _____ shocks can be positive or negative.
- An _____ is a negative external _____.
- It affects the business cycle.
- Throughout American _____, there have been many business _____.

Classwork: Answer the following questions in COMPLETE sentences.

1. Define the business cycle.

2. What are the four phases of the business cycle and explain each phase?

3. What are the four factors that affect the business cycle and how does each factor affect the business cycle?

4. What is the relationship between Gross Domestic Product and the four phases of the business cycle?

5. How does a period of expansion differ from a period of contraction?

6. How does the peak of the business cycle differ from the trough?

7. _____ What stage of the business cycle would be most appropriate to describe the years from 1929 to 1933?
 - a. peak
 - b. contraction
 - c. trough
 - d. expansion
8. _____ All of the following are situations involving external shocks EXCEPT
 - a. Consumers pay high prices for corn because of a severe drought.
 - b. Consumers reduce spending on expensive goods because the country has gone to war.
 - c. Consumers increase their consumption of gasoline because of lower prices due to the discovery of large deposits of oil.
 - d. Consumers reduce spending because they fear that their nation is going to war.

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Do Now: What are the four phases of the Business Cycle?

Gross Domestic Product: Notes 3

Economic Growth

- Our _____ population has increased _____ in the last 200 years.

Population and the Economy

- A nation's _____ tends to grow.
- Gross Domestic Product must keep up with the population _____.
- If the _____ does not continue to grow as population grows, _____ and hunger will _____.
- The economy is like a _____.
- The _____ the pie, the more people can be _____.

Real GDP Per Capita

- It is _____ to remember that real GDP is GDP that has been _____ for inflation.
- Per _____ means per person.
- Therefore, real GDP per capita is a way of _____ how much money each person in a society would receive if _____ from GDP was divided equally among the people of that _____.
- A country with a high standard of _____ has a high real _____ per capita.

Capital Deepening

- One way to _____ economic productivity is through _____ deepening.
- Capital deepening is the _____ of increasing the amount of _____ per worker.
- Better _____ workers can produce more _____ per hour of work.
- Better educated workers are more _____ workers.
- _____ helps the economy to _____.

Savings Rate

- _____ that is saved is available for _____.
- The savings rate is the portion of _____ income spent to the portion of disposable _____ saved.
- A country with a _____ savings rate will be more likely to experience economic growth because more _____ will be available to invest in businesses.
- The more money _____ of a country save, the more money is available for businesses to _____.
- When education rates and savings rates _____, the economy _____.
- And when the economy _____, people have jobs, _____, food, and the comforts of _____.

Technological Progress

- Another key source of _____ growth is _____ progress.
- This is an increase in _____ gained by producing more _____.
- Email replacing slower " _____ " is an example of _____ progress.
- Technological progress like email _____ increases business efficiency.
- Greater _____ means greater profits.

Classwork: Answer the following questions in COMPLETE sentences.

1. Why must the economy continue to grow as population increases?

2. Why is it important for economists to calculate real GDP per capita?

3. What is capital deepening and how does it affect economic growth?

4. How does the savings rate help the economy to grow?

5. Why is technological progress important?

6. _____ The process of increasing the amount of capital used per worker is

- a. Real GDP per capita.
- b. Capital deepening.
- c. Saving.
- d. Technological progress.

7. _____ Real GDP divided by the total population is referred to as

- a. Capital deepening.
- b. Saving.
- c. Savings rate.
- d. Real GDP per capita.