A-LEVEL ECONOMICS • EXERCISE SHEET

4.1 National income statistics

Name: ____________ Class: ________ Date: __________ **Total: 24 marks**

KEY WORDS nominal 名义 • real 实际 • national income 国民收入 • national income statistics 国民收入统计 • nominal versus real 名义与实际

Objective

Build the skills to answer exam questions on **national income statistics** 国民收入统计 — **GDP and GNI** 国内生产总值与国民总收入, **nominal versus real** 名义与实际, **per capita** 人均 values, and the uses and limits of national income.

You must be able to:

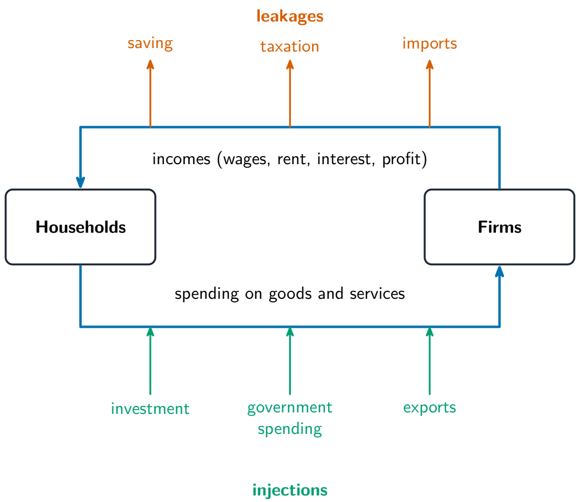
- define GDP and GNI and distinguish nominal from real
- explain why real GDP per capita is used to compare living standards
- analyse the limitations of national income as a welfare measure

1 Worked examples

■ Measuring the economy

*Always compare **real** 实际 values (adjusted for inflation) over time*

- **GDP** 国内生产总值: value of all goods/services made **inside** a country in a year. **GNI** adds net income from **abroad**.



The circular flow: output = income = expenditure, so all three measure the same national income

- **Nominal** 名义 = at current prices; **real** 实际 = adjusted for inflation (the true change).
- **Per capita** 人均 = divided by population (the average per person).
- **Limits:** ignores income **distribution** 分配, unpaid/informal work, pollution and leisure.

Answer shapes: AO1 + AO2 + AO3 (analysis) + AO4 (a supported judgement *in context*).

2 Practice

2.1 Define the term *gross domestic product (GDP)*. [2]

2.2 State the difference between *nominal* and *real* GDP. [2]

2.3 State one limitation of using GDP per capita to measure living standards. [1]

3 Exam-style questions

3.1 To compare living standards over time, the best measure is: [1]

- **A** nominal GDP
- **B** real GDP per capita
- **C** total nominal GNI
- **D** the size of the population

3.2 Explain why real GDP per capita is more useful than nominal GDP for comparing living standards over time. [6]

3.3 Discuss whether GDP per capita is a good measure of a country's standard of living. [12]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 the total value of all goods and services produced inside a country in a year (2 for a clear definition; 1 for a partial idea).

2.2 nominal GDP is measured at current prices; real GDP is adjusted to remove the effect of inflation, showing the true change in output (2 for a clear difference; 1 for a partial idea).

2.3 any one of: ignores income distribution; omits unpaid/informal work; ignores pollution, leisure and health (1).

3.1 B. Real GDP per capita removes inflation and population effects.

3.2 *[6]* AO1 1 + AO3 up to 5 — nominal GDP can rise just because prices rose, not output, so it overstates growth; dividing real GDP by population shows the true output available per person → a fairer comparison of living standards over time.

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** higher real GDP per capita usually means more goods, services and tax revenue per person. **Against:** it ignores distribution, the informal economy, pollution, leisure and health, so a high average can hide poverty or harm. Judgement: GDP per capita is a useful starting measure but should be combined with others (e.g. HDI) — its reliability depends on the country.