AP MACROECONOMICS • HOLIDAY HOMEWORK 假期作业

2 Measuring the economy - GDP – Part 1

Name: ____________ Class: ________ Date: __________

Vocabulary 词汇

Write each word three times. 把每个单词抄写三遍。

English	中文	Write it 3 times (English)		
circular flow	循环流动模型			
Gross domestic product (GDP)	国内生产总值			
consumption	消费			
investment	投资			

Recall

You have heard economic news before:

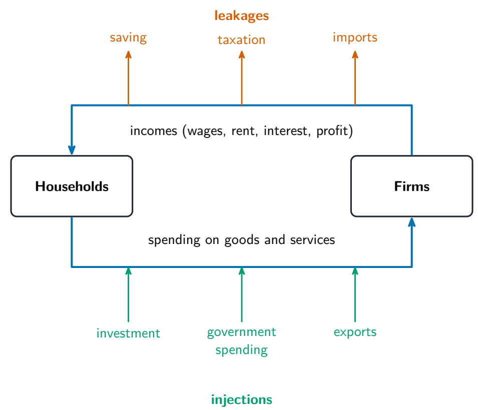
- "GDP" is used to measure how big an economy is.
- Money flows between households and businesses.
- A country's total output is a sign of its wealth.

This sheet lines up how we measure the whole economy. Each idea has a worked example.

New ideas

1 The circular flow

The **circular flow** 循环流动模型 shows money moving between **households** and **firms**: households supply labour and earn income; firms sell goods and earn revenue. Every dollar of spending is someone's income.



2 Gross domestic product

Gross domestic product (GDP) 国内生产总值 is the total market value of all **final** goods and services produced in a country in a year. By the spending method:

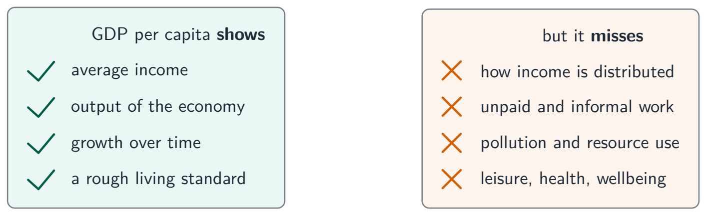
$$GDP = C + I + G + X_n,$$

that is **consumption** 消费 + **investment** 投资 + government purchases + net exports.

Worked example. If C = \$70b, I = \$20b, G = \$25b, and net exports $X_n = -\$5$b, then $GDP = 70 + 20 + 25 - 5 = \$110$b.

3 What GDP leaves out

GDP measures market output, not well-being. It **misses** unpaid housework, the underground economy, leisure, and environmental damage.



a higher GDP per capita usually means a better life - but not always

■ 4 GDP per person

GDP per capita (GDP ÷ population) is a better guide to average living standards than total GDP.

Watch out: GDP counts only **final** goods, to avoid double counting. The steel in a car is not counted separately – its value is already inside the finished car's price.

Practice

Try these in order. The methods are all above.

2.1 State what GDP measures. [2]

2.2 Write the four parts of GDP by the spending method. [2]

2.3 Find GDP if $C = \$50\text{b}$, $I = \$15\text{b}$, $G = \$20\text{b}$, and $X_n = \$5\text{b}$. [2]

2.4 Give two things that GDP fails to measure. [2]

2.5 State why only final goods are counted in GDP. [2]