CHAPTER 12

Section 1: Guided Reading and Review
Gross Domestic Product

A. As You Read

As you read Section 1, answer the following questions about gross domestic product.

1. What is the gross domestic product? _____

2. How is the expenditure approach used to calculate it? _____

3. How is the income approach used to calculate it? _____

4. What is the difference between nominal GDP and real GDP? _____

Describe four limitations of using GDP to measure economic growth:

5. _____

6. _____

7. _____

8. _____

9. How is the gross national product derived from the gross domestic product? _____

10. How is GDP related to aggregate supply and aggregate demand? _____

B. Reviewing Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided. You will not use all the terms.

Column I

____ 11. a system that collects macroeconomic statistics on production, income, investment, and savings

____ 12. goods used in the production of final goods

____ 13. GDP measured in current prices

____ 14. goods that last a short period of time

____ 15. GDP expressed in constant, or unchanging, prices

____ 16. goods that last for a relatively long time

____ 17. loss of the value of capital equipment that results from normal wear and tear

____ 18. the total amount of goods and services in the economy available at all possible price levels

____ 19. the average of all prices in the economy

____ 20. the annual income earned by U.S.-owned firms and U.S. residents

____ 21. the dollar value of all final goods and services produced within a country's borders in a given year

Column II

a. real GDP

b. nominal GDP

c. aggregate supply

d. nondurable goods

e. price level

f. intermediate goods

g. depreciation

h. national income accounting

i. gross domestic product

j. durable goods

k. gross national product

l. aggregate demand