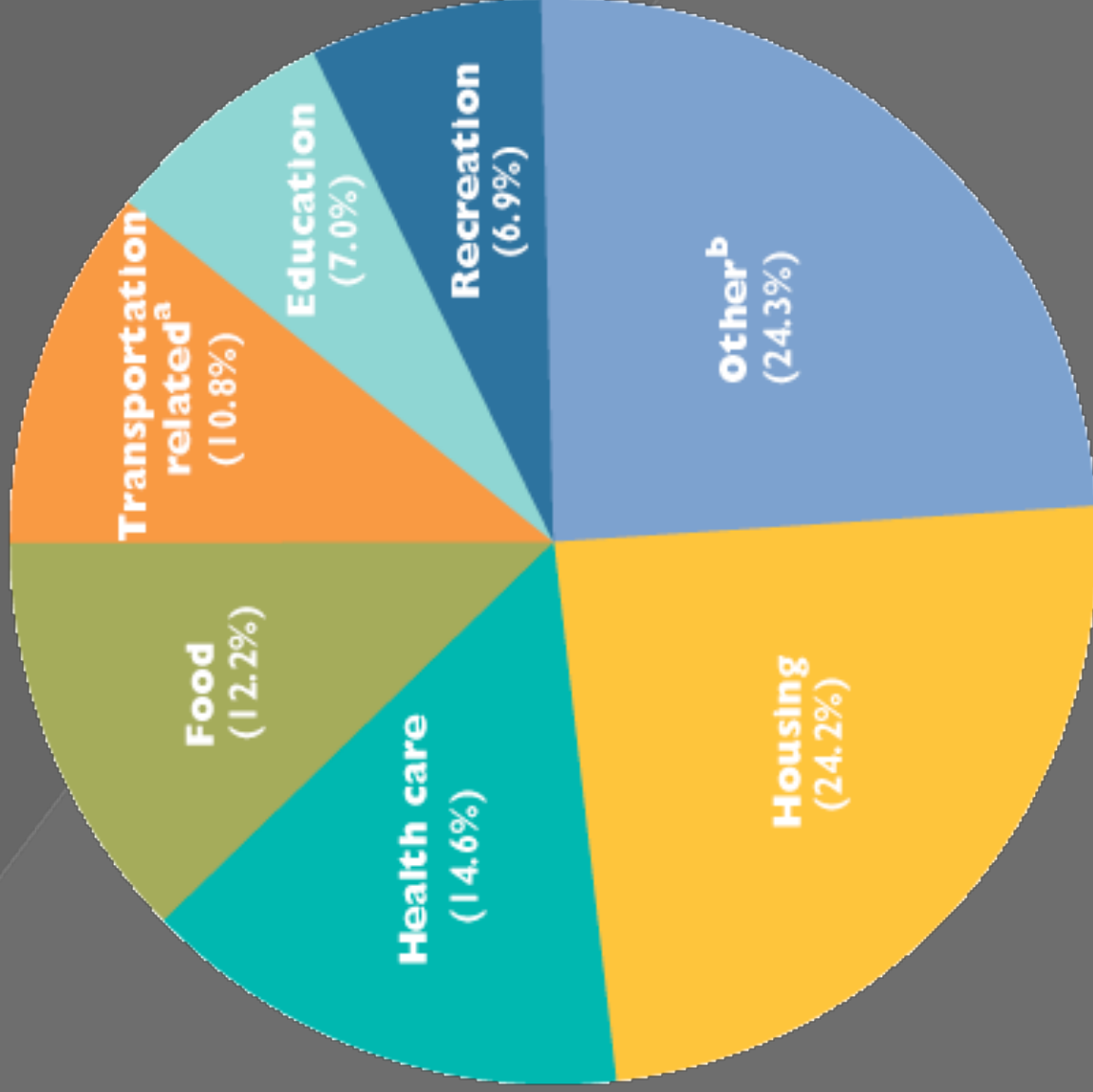


# Warm Up

- What is a glass ceiling?
- What is minimum wage?
- What's a giveback?
- What is an injunction?
- What is the difference between GDP and GNP?
- What were the results of the New York Presidential Primaries? What does this mean for the General election in November?

# Chapter 13



# Chapter 13

- GDP – Gross Domestic Product – The dollar amount of all final goods and services produced within a country's national borders in a year
- National Income Accounting – A system of statistics and accounts that keeps track of production, consumption, saving, and investment
- Excluded From GDP calculation
  - Intermediate Products
  - Secondhand Sales
  - Nonmarket Transactions
  - Underground Economy



# Chapter 13

- Intermediate Products – Products used to make other products already counted in GDP

- Tires on a new car, salt, sugar and flour, etc

- Secondhand Sales – Sale of used goods

- Used car, used house, etc

- Nonmarket Transactions –

Transactions that do not take place in the market (services)

- Mowing your lawn, Home maintenance, etc





# Chapter 13

- Underground Economy – Unreported legal or illegal activities
  - Gambling, smuggling, drugs, prostitution, etc
- Limitations to GDP
  - Tells nothing about the composition of output
    - Nerve Gas vs. Schools
  - Tells nothing about the quality of life



## Chapter 13

- GNP – Gross National Product – The dollar value of all final goods, services, and structures produced in one calendar year
- GDP vs. GNP – GDP measures us as a nation, GNP measures all American's wealth even outside of the U.S.

# Chapter 13

- NIPA – National Income and Product Accounts
  - Five Income measures of a nation
    - GNP – Gross National Product
    - NNP – Net National Product
    - NI – National Income
    - PI – Personal Income
    - DI – Disposable Personal Income



# Chapter 13

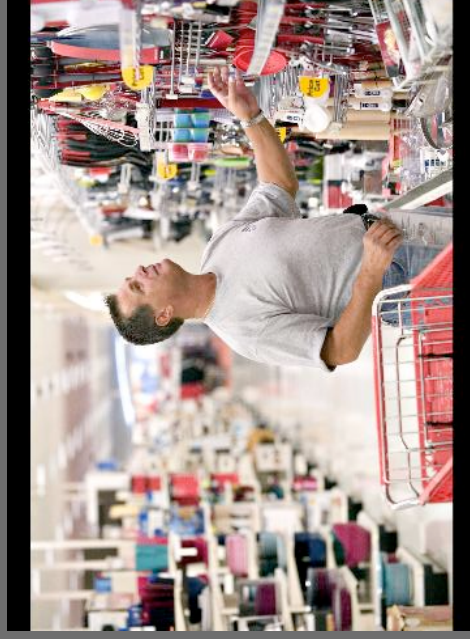
- NNP – Net National Product – GNP without Depreciation
- NI - National Income – Income after all taxes taken out
- PI – Personal Income – Income before taxes
- DI – Disposable Personal Income – Income that consumers have after Personal Income tax is





# Chapter 13

- 4 Sector of the Economy
  - > (C) Consumer Sector – The largest sector of Macroeconomics which includes households, individual and families
  - > (I) Investment Sector – Proprietorships, partnerships and corporations
  - > (G) Government Sector – Local, state and federal govt.
  - > (X-M) Foreign Sector – Consumers and Producers outside U.S.



## Warm Up

- What are the (4) prevailing economic theories?
- What are the (4) sectors of the economy?
- What is the equation for GDP?
- What does each letter of the GDP equation stand for?
- What part of the GDP equation does each economic theory advocate for stimulating?

# Chapter 13

- Output Expenditure Model – A Macroeconomic model used to show GDP
  - $GDP = C + I + G + (X - M)$
- Net Export of Goods – U.S. Exports – U.S. Imports
- Inflation – Rise in general price level
  - Value of money becomes less
- Price Index – Stat to figure out the changes in price over time
- Base Year – A year that serves a basis for all other years

# Chapter 13

- Market Basket – A representative selection of commonly purchased goods and services
- CPI – Consumer Price Index – Reports on price changes on 80,000 items in 364 categories from 85 geographical areas in the U.S.



CPI

# Chapter 13

- PPI – Producer Price Index – Measures price changes paid by producers to make their product
- Implicit GDP Price Deflator – an index of average levels of prices for all goods and services in the economy



# Chapter 13

- Real vs. Current GDP
  - > Current GDP is the dollar amount without accounting for inflation
  - > Real GDP is the dollar amount with inflation factored in
  - > Real GDP = (GDP in current dollars/GDP Price Deflator) X 100
  - Pg. 353
- Census – An official count of all people in the U.S.
  - > Urban Population – People living in incorporated villages or towns with 2,500 or more people
  - > Rural Population – Remainder of the population

# Chapter 13

- Historical Growth has declined
  - 1790 – 1860 – Growth was 3 % a year
  - 1860 – 1900 – 2.2%
  - 1900 – 1940 – 1.4%
  - 1940 – 2009 - .9%
- Census also shows a trend towards smaller households
  - 1790 – 1960 – 5.8 people per house
  - 1960 – 2000 – 3.3
  - 2000 – 2009 – 2.6

# Chapter 13

- Center of Population – The point where the country would balance if it could be laid flat and all people weighed the same
  - 1790 – Baltimore, Maryland
  - 2009 – Steelville, Missouri
- Demographers – People who study growth, density, and other characteristics of population

# Chapter 13

- 3 Factors Affecting Population Growth
  - > Fertility Rate – The number of births per woman
  - > Life Expectancy – The average remaining life span of people
  - > Net Immigration – The net change in population caused by people moving in and out of the country
- Baby Boom – The high birth rate years from 1946 – 1964
- Dependency Ratio – Ratio based on the number of children and elderly for every 100 persons in the 18-64 bracket

# Chapter 13

- Zombie Stock – Stocks that are still being sold despite the fact that the company no longer exists
  - AIG
- Real GDP per capita – The dollar amount of real GDP produced on a per person basis
  - Per capita has been passed by real
- 4 Factors influencing economic growth
  - Land, Capital, Labor, Entrepreneurs



- *All Content Created by DJ Cook*