

# Chap.4: measuring gdp ; economic growth — chap.5: monitoring jobs and inflation

[Literature](#), [Russian Literature](#)



During a year, a firm's net investment is \$4, 800 and depreciation is \$1, 200.

The firm's gross investment is \_\_\_\_\_. \$6, 000 (net investment + depreciation = gross investment)

Gross domestic product and gross investment are measured: BEFORE the depreciation of capital  
Net domestic product and net investment are measured: AFTER the depreciation of capital. T or F:

President Roosevelt's " New Deal" minimized the role of the government in economic life. FALSE  
Gross domestic product can be measure in 2 ways: 1. By the total \_\_\_\_\_ or; 2. the total \_\_\_\_\_.

1. expenditure on goods and services  
2. income earned producing goods and services  
Aggregate income earned is equal to the total amount paid for

\_\_\_\_\_ to produce final goods and services. the factors of production

used  
Aggregate expenditure is equal to:  $C + I + G + (X-M)$   
And because firms pay out as incomes everything they receive from the sale of their output,

aggregate income equals aggregate expenditure. TRUE  
The goods and services that we sell to people in other countries are: exports  
The goods and services that we buy from people in other countries are \_\_\_\_\_. imports

The value of exports of goods and services minus the value of imports of goods and services is called: net exports  
If this year's price level exceeds last

year's, the inflation rate between these years has been positive  
The inflation rate is the annual percentage change in \_\_\_\_\_. the price level  
The CPI in

2006 was 201.

6. The CPI in 2007 was 207. 3.

The inflation rate in 2007 was \_\_\_\_ percent.

2. Discourage workers \_\_\_\_\_ counted as officially unemployed because they \_\_\_\_\_. are not; are not actively seeking work. The income approach to measuring GDP sums together compensation of employees, net operating surplus, indirect taxes less subsidies, and depreciation. The largest component of the income approach is: compensation of employees. Suppose the Consumer Price Index is 143.

6. What does that number mean?

Prices rose 3.6 percent over the reference base period, on average.

Suppose the CPI last year is 121 and the CPI this year is 137. The correct method to calculate the inflation rate is:  $\frac{(137-121)}{121} \times 100 = 13$ .

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The unemployment that arises from normal labor turnover is \_\_\_\_\_ frictional unemployment. A worker who is laid off because of the recent recession is \_\_\_\_\_ cyclically unemployed. The unemployment rate is NEVER at zero, even at full employment, because:

1. there are always workers entering the labor market to search for work.
2. there are always firms laying off workers, and these workers search for another job.
3. there are always workers leaving one job to search for another job.

The natural unemployment rate \_\_\_\_\_ fluctuates because the frictions and the amount of structural change fluctuate.

The firm that printed your textbook bought paper from XYZ Paper Mills. This purchase of paper \_\_\_\_\_ part of GDP because the paper is \_\_\_\_\_ good. The

value of paper is counted in GDP as \_\_\_\_\_ is NOT; an intermediate part of the value of the textbook  
Secret service protection for the President is an example of: government expenditure  
An economy is at full employment when the unemployment rate equals the natural unemployment rate \_\_\_\_\_  
good is an item that is bought by its final user during a specified time period.

A final \_\_\_\_\_ good is an item that is produced by one firm, bought by another firm, and used as a component of a final good or service. An intermediate  
We \_\_\_\_\_ the value of intermediate goods and services produced to the value of final goods and services to measure GDP. do not add  
Gross domestic product is \_\_\_\_\_ the market value of all the final goods and services produced within a country in a given time period  
A bakery uses flour to produce bread. When calculating GDP, we include \_\_\_\_\_, because when we add the value of the flour to the value of the loaf of bread to calculate GDP, the result is \_\_\_\_\_. only the value of the bread sold in a store; double counting