

# Assignment 2: what is gross domestic product? essay sample

[Government](#)



**ASSIGN  
BUSTER**

1. What was Real GDP for 2009? The Real GDP for 2009 was 13, 973. 7 (NIPA Tables 1. 1. 5, 2012)

a. What does GDP tell us?

The GDP gives information regarding the country's economy in regards to total money value on all final goods and services that are produced in the economy over any given time frame – annually or quarterly.

Real GDP accounts for price changes especially with inflation whereas nominal GDP does not.

b. How did GDP change from 2008?

In the first and second quarter, GDP increased. In the third quarter, GDP started decreasing slightly. However, export and imports of goods and services increased slightly. In the fourth quarter, real GDP decreased. Exports, imports, and personal consumption expenditures decreased. Additionally, Federal, national defense and nondefense increased through each quarter. (NIPA Tables 1. 1. 5, 2012)

c. What caused these changes?

The causes for these changes were because of the recession. This was due to a significant decline in economic activity. Additionally, personal consumption expenditures and private investment are down dramatically and real exports of goods and services and real exports of goods and services decreased. Furthermore, government spending has increased. (NIPA Tables 1. 1. 5, 2012)

What was GNP for 2009? The GNP for 2009 was 14, 117. 2 (NIPA Tables 1. 7. 5, 2012)

d. What is the difference between GDP and GNP?

GDP (Gross Domestic Product) is the total market value of all goods and services that are produced within the United States borders. GNP (Gross National Product) is the total market value of goods and services produced by labor and property owned by a country regardless of where production took place.

e. How did GNP change from 2008?

GNP increased throughout 2008 but started decreasing in 2009. Private , domestic business, and household and institutions increased. In addition, general government and government enterprises increased. (NIPA Tables 1. 7. 5, 2012)

f. What caused these changes?

Income receipts for the rest of the world decreased and income payments to the rest of the world decreased. Exports and imports of goods and services increased. (Burea of Economic Analysis, 2012)

What was National Income (NI) for 2008? 12, 609. 1 (NIPA Tables 1. 17. 5, 2012)

g. What does National Income tell us?

The NI tells us the rate of economic growth living standards and any changes in the distribution of income between any groups or in the population. “ It is

the sum of any wages, profits, rents, and pension payments to people of the nation.” (national income, 2003)

h. What is the difference between GNP and NI?

“ National income is measured at factor cost as the aggregate earnings of labor and property that arise in the current production of the nation’s good and services.” (National Income, 2007)

“ Gross national product (GNP) is the market value of the output of goods and services, before deducting depreciation charges and other allowances for the consumption of durable capital goods.” (National Income, 2007)

i. What caused these changes?

The financial crisis was created from the housing bubble and the mortgage industry. Additionally, this caused a fall in national income, which lead growth in GDP in negative territory.

2. What was Disposable Income (DI) for 2009? 10, 722. 4

a. What does Disposable Income consist of?

The amount of income left to an individual after taxes have been paid, available for spending and saving. It consists of wages and salaries, interest and dividend payments from financial assets, and rents and net profits from businesses.

b. How did DI change from 2008?

Compensation of employees received fluctuated in the first 3 quarters of 2008. In the fourth quarter, this dropped from 8, 036. 1 to 7, 804. 9 in the

first quarter of 2009. Wage and salary disbursements steadily dropped from the first quarter in 2008 all through the fourth quarter in 2009. Per capita: current dollars steadily dropped from the third quarter in 2008 until the third quarter in 2009.

What caused these changes?

DI Changed in 2008 because of a drop in the U. S standard of living. This means that less money was spent for vacations, remodeling, or dinner at a restaurant. The decline in the standard of living was due to stagnant incomes, falling net worth, and rising consumer prices. Furthermore, inflation combined with unemployment eroded the individuals buying power. (NIPA Tables 2. 1, 2012)

3. What was GDP in 2008 (sometimes called GSP) for your state? 31, 542 – This is an all industry total. (Real GDP by state, 2012)

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