



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

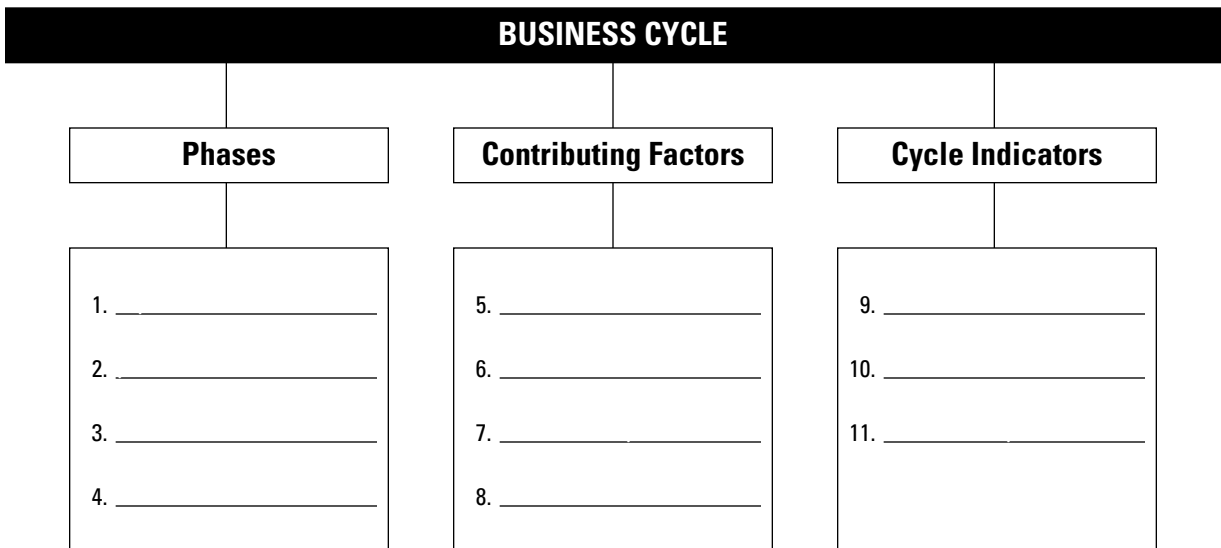
Section 2: Guided Reading and Review

Business Cycles



A. As You Read

As you read Section 2, fill in each item in the following diagram.



B. Reviewing Key Terms

Define the following terms.

12. business cycle _____
13. expansion _____
14. economic growth _____
15. peak _____
16. contraction _____
17. trough _____
18. recession _____
19. depression _____
20. stagflation _____
21. leading indicators _____

