

# Examining the Nation's Economy



## Objective

In this lesson, you will

## Gross Domestic Product, or GDP

Economists measure a nation's economy to see how it's doing \_\_\_\_\_.

- They keep track of all the goods and services \_\_\_\_\_ each year and arrive at a value called the \_\_\_\_\_ product, or GDP.
  - ❖ GDP = the total dollar value of the goods and services \_\_\_\_\_ in a country per year
  - ❖ If the GDP \_\_\_\_\_ increases \_\_\_\_\_ decreases, the nation is doing well financially.



### Two types of Goods and Services

Final	Intermediate
<ul style="list-style-type: none"> <li>• sold to _____ in shops</li> <li>• Example: a computer sold in a shop</li> </ul>	<ul style="list-style-type: none"> <li>• items produced and then used to _____ other goods and services</li> <li>• Example: the plastic and materials that a computer is made of</li> </ul>

Economist only count the value of the \_\_\_\_\_ goods.

GDP per capita, or per capital income, figures in the population size.

- To calculate, \_\_\_\_\_ the GDP by the \_\_\_\_\_ number of people in the country.
  - Per capita is a Latin term that means "by head," or "\_\_\_\_\_ per \_\_\_\_\_."
- It is a measure of the national \_\_\_\_\_ of \_\_\_\_\_.
- Per capita income tells the average \_\_\_\_\_ a person in the country earns.
  - The U.S. produces more goods and services than other countries, so we have a high \_\_\_\_\_.
  - (We have a \_\_\_\_\_ standard of living.)
  - Some countries with \_\_\_\_\_ GDPs than ours have higher GDPs per \_\_\_\_\_ because they have \_\_\_\_\_ more \_\_\_\_\_ fewer people.

# Unemployment Rate and Consumer Price Index

## Unemployment Rate

Unemployment affects the economy because:

- productive \_\_\_\_\_ are wasted
- the government has to \_\_\_\_\_ more on providing help for \_\_\_\_\_ needs



The unemployment rate measures the \_\_\_\_\_ of people who can work but don't have a job during a given \_\_\_\_\_ of time.

- Changes in the unemployment rate show whether an \_\_\_\_\_ is up or down.

Causes of short-term unemployment include:

- recently graduating from \_\_\_\_\_
- caring for \_\_\_\_\_
- leaving a \_\_\_\_\_ to find a better one

May not have much effect on economy.

Causes of long-term unemployment include:

- companies eliminating \_\_\_\_\_
- technology replacing \_\_\_\_\_
- \_\_\_\_\_ laying off employees

Results in serious economic impact.

## Consumer Price Index, or CPI

The CPI measures the \_\_\_\_\_ in prices of certain goods and services over \_\_\_\_\_.

These goods and services:

- are called a \_\_\_\_\_,
- include goods and services used by an \_\_\_\_\_ household, such as:
  - food
  - \_\_\_\_\_
  - clothing
  - \_\_\_\_\_
  - communication
  - \_\_\_\_\_

CPI relates the \_\_\_\_\_ price of the market basket to one of a \_\_\_\_\_ time period.

- Governments use the CPI to calculate \_\_\_\_\_, or the increase in prices over time.

## Effect of Business on the Economy

To calculate the GDP, economists focus on four main spending groups:

- consumers
- \_\_\_\_\_ that buy
- government
- foreigners who buy American \_\_\_\_\_

## American businesses fall into three categories:



<b>Individually owned businesses or proprietorships</b>	Owned by:  Risk and Profits: <i>owner enjoys all the profits but may lose the money invested in the business or have to sell personal assets to repay debts.</i>  Examples: <i>an independent account or restaurant</i>
<b>Partnerships</b>	Owned by:  Risk and Profits: <i>share profits and losses of the business, but owners may have to sell personal assets to repay debts</i>  Examples: <i>a family-owned farm or a coffee shop owned by two friends</i>
<b>Corporations</b>	Owned by: <i>many people (shareholders)</i>  Risk and Profits: <i>shareholders share profits and losses, but owners' personal assets are protected</i>  Examples:

All these businesses spend billions of dollars on \_\_\_\_\_, such as: new equipment, cash registers, shelves, and new \_\_\_\_\_.

These investments make a nation's economy slow move.

- During periods of economic wealth, businesses buy less more, so their investment is high.
- During low economic times, the investments are less more.

→ This makes business ownership an \_\_\_\_\_ piece of the U. S. economy since it has a major impact on the \_\_\_\_\_.

## Summary

Imagine you and your friend start a bicycle repair shop. What category would your business fall in? What effects could it have on the economy?