CHAPTER 3

ECONOMIC INDICATORS

GROSS DOMESTIC PRODUCT

GDP

- One way of telling how well an economy is performing is to determine how many goods and services it produces during a certain period of time.
- GDP is the total value of the goods and services produced in a country in a given year.

GROSS DOMESTIC PRODUCT

GDP

- Economists include four main areas in calculating GDP:
  - Consumer goods and services
  - Business goods and services
  - Government goods and services
  - Goods and services sold to other countries

GROSS DOMESTIC PRODUCT

GDP

- Does not include the goods and services that are not reported to the government.
  - Babysitting
  - Mowing lawns

GROSS DOMESTIC PRODUCT

EQUALS

Consumer goods and services + Business goods and services + Gov't goods and services + Goods and services sold to other countries

UNEMPLOYMENT RATE

- The *Unemployment Rate* measures the number of people who:
  - Are able to work
  - Don’t have a job during a given period of time

UNEMPLOYMENT RATE

- Reasons for being unemployed:
  - Temporary
  - Seasonal
  - Changes in industry
  - Economic slow down
- The worst type occurs when the entire economy slows down
  - This type of unemployment can last for years

RATE OF INFLATION

- *Inflation* is a general increase in the cost of goods and services.
- Inflation can happen when an economy actually becomes too productive.

RATE OF INFLATION

- As the demand for goods goes up, producers raise their prices.
- To pay the higher prices, workers demand higher wages
- When wages go up, producers raise prices again to pay for the higher wages, and so on.
- THIS SITUATION CAN SPIRAL OUT OF CONTROL AND LEAD TO *HYPERINFLATION*

RATE OF INFLATION

- *Deflation* is a general decrease in the cost of goods and services.
- When an economy produces more goods than people want, it has to lower prices and cut production.

NATIONAL DEBT

- When the government spends more on programs than it collects in taxes, the difference in the amount is called the *budget deficit.*
- The total amount of money a government owes is its *national debt.*

NATIONAL DEBT

- If a nation spends less than its income, it has a *budget surplus.*
- The government will probably use a surplus to:
  - Cut taxes
  - Reduce the national debt
  - Increase spending for certain programs