

NAME: _____

ECONOMIC PERFORMANCE

ECONOMICS

GUIDED NOTES

THOUGHTS, REFLECTIONS, LINGERING QUESTIONS

HOW DO WE MEASURE PRODUCTION?

- _____ by **Gross Domestic Product (GDP)**.
 - _____ – the _____
 - GDP is used to measure a _____ and determine if it is doing well.
 - Countries GDP measurements are _____.
- How to Calculate the GDP of a country:
 - Add the _____
 - GDP is measured by the US Department of Commerce.
 - GDP is the measure of final goods and services. It excludes the production of goods/services used to make other goods.
 - $GDP = \text{Consumer Spending (Consumption)} + \text{Business Spending (Investment)} + \text{Government Spending} + \text{Net Exports (Exports - Imports)}$
 - If Inflation causes prices to rise 3% (everything would cost 3% more than normal) and the GDP grows by 6%, the _____
- _____ = total income divided by the number of people living in the country.
 - Shows the average made at work for the country
- **Shortcomings of GDP**
 - _____
 - Childcare, meals, car maintenance, etc.
 - Ignores the _____
 - Ignores the _____ in the underground economy
- GNP (Gross National Product)
 - _____
 - _____

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• **The Black Market**

- Doesn't measure a _____.
- To compare year to year, you must consider *inflation*.
- _____ – a period of rising prices when the purchasing power of the dollar is falling.
 - Inflation-adjusted GDP is called *real GDP*.
- Real GDP is the best overall indicator of changes in a nation's *standard of living*.
 - _____ – a measure of the _____ to citizens.
- _____ – the _____.
- _____ – the output of goods and services as _____: time, workers, capital, resources, etc.

When _____ people are producing more or better products with the same number of resources.

ECONOMIC PERFORMANCE MEASURES

- _____: the market value of all goods and services produced in a nation's economy during a given time.
- _____ **(NNP)**: Value of good and services with the value of capital goods removed that became unusable
- _____ **(NI)**: _____ earns from the production of goods and services minus indirect business taxes
- **Personal Income (PI)**: Income _____ during a period.
- _____ **(DPI)**: Personal income after personal income taxes are subtracted. Available for a _____

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FACTORS THAT IMPROVE PRODUCTIVITY

The Quality of Human Resources

- Human Resources Includes: _____

 - An increase in the quantity and quality of education and job training _____
_____.
 - Education has played a critical role in the US economy's shift from _____
_____ and technology intensive workplaces.

Technological Change

- Also known as *Technological Innovation*
- Technology includes _____

- The use of new technology requires _____

_____ so
they know how to use the new equipment.

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The Quality of Management

- Innovative management can be the difference between a prosperous, productive business and one that falters or fails.
- Most large corporations have adopted practices with the following philosophies:
 - _____
 - Through surveys and research.
 - _____
 - Increased training and equipment increase quality standards
 - _____
 - _____ – involving employees in decision making
 - _____
 - Mission statements, company slogans, internal reward systems

Quantity and Quality of Capital Resources

- Businesses _____ to increase productivity.
- Free enterprise system gives businesses incentives to risk savings to _____

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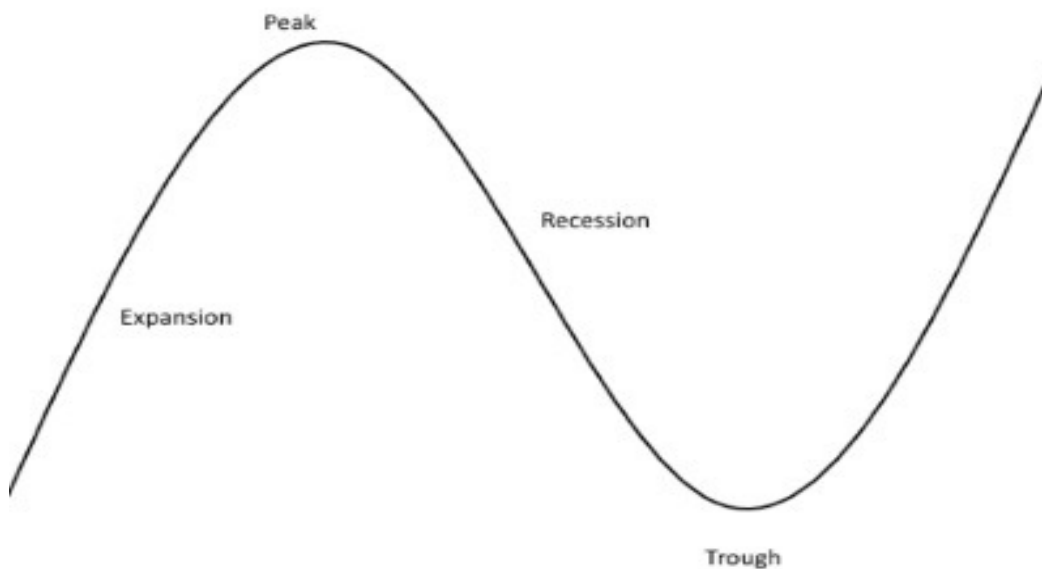
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THE BUSINESS CYCLE

- _____
- Used to analyze and measure the economy
- Watched to make financial decisions
- There are **4 Phases in the Business Cycle**
 - _____: between trough and peak, economy is growing, GDP is increasing, GDP Growth between 4/5-5%, Inflation is around 2%, stock market is a bull market
 - _____: expansion moving into contraction phase
 - _____: weakened economic growth, GDP growth below 2%, recession, unemployment rises, stock market enters a bear market
 - _____: transition from contraction phase to expansion phase, economy is at the lowest
- The Business Cycle is measured by the National Bureau of Economic Research
 - Uses monthly economic indicators:
 - _____
 - _____
 - _____
 - _____
 - The business cycle is managed by the government



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EMPLOYMENT

- **Unemployment:** # of people _____ that are unable to find them.
- **Unemployment Rate:** number of _____
_____.
 - Used to measure a country economy
- **Underemployment:** when workers are _____ th
at they are overqualified for.
- **Full employment:** When _____ with jobs.
- **Impact of Unemployment**
 - _____: Wastes human resources
 - _____: Those with least experience lose their jobs first, less opportunity for advancement
 - _____: motivation declines, people stop searching for new work opportunities
 - _____
 - _____
 - _____ well-being
 - Cost of _____

POVERTY

- _____: have few material or monetary possessions
- **Absolute Poverty:** income is _____
- **Relative Poverty:** comparing the _____ in
the same area, this varies from one location to another
- **Poverty Threshold:** _____ determining the amount of income needed to meet basic needs.
- **Poverty Rate:** _____ and make below the level of basic standard of living.

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What Affects Poverty

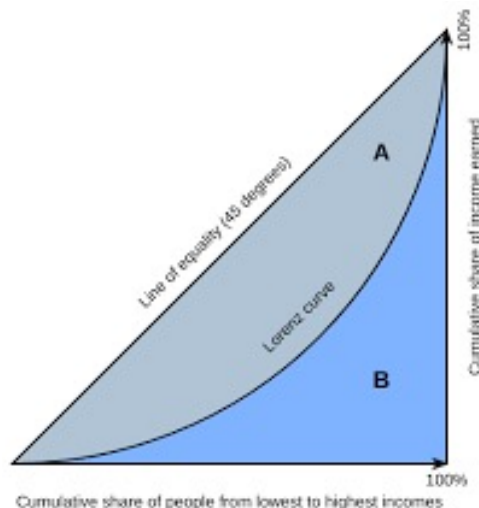
- **Education level:** level of _____

- _____ groups of people → government policies counteract this
- **Demographic Trends:** _____ that lead to more poverty
- _____: shifts from manufacturing to service industry and service industry workers earn less

INCOME DISTRIBUTION

- **Income distribution:** how _____ among people within an area
- **Income inequality:** when _____ in an area
- **Lorenz Curve:** a graph that _____

 - Diagonal line show _____ → not realistic
 - The _____ is away from a diagonal line, the _____



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- **Welfare:** government and social programs that aid to those in need.

- _____
- _____
- _____
- _____

ALL ABOUT INFLATION

- **Inflation** → _____

_____.

You get a lot less for your money

- **Consumer Price Index** → measures the

- **Producer Price Index** → measures the _____

- **Inflation Rate** → measures the _____

Types of Inflation

- _____ → rapid inflation, over 50% within a month
- _____ → decrease in prices, rare

Impact of Inflation

- The value of the dollar decreases which affects people on fixed incomes
- _____, which means businesses and people are less likely to borrow and expand
- _____