

Chapter 8 Measuring the Economy's Performance

What are the two principles of the circular economic flow?

- 1.
- 2.

How are profits explained?

What are the components of the total income approach to GDP?

What is a product market?

What is a factor market?

Why is the total income equal or identical to the annual costs of the final goods and services in the economy?

What is GDP?

What does **domestic** product mean?

What is the difference between a stock and flow concept?

What does GDP measure?

Why doesn't GDP measure intermediate goods?

List six things that GDP doesn't cover?

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

What are several problems with using GDP as a statistical measure of a nation's output?

What are the four components of the expenditure approach to deriving GDP?

- 1.
- 2.
- 3.
- 4.

How is investment defined?

What is net exports and how it is defined?

How is net domestic product (NDP) derived from GDP?

What is depreciation?

What is GDI?

What are the four components of GDI?

- 1.
- 2.
- 3.
- 4.

How is depreciation handled in the GDI approach?

What is **nominal value** and how is it different from **real values**?

What is the formula for correcting GDP for price index changes? (See formula in example on bottom of page 200)

What is per capita real GDP?

What problems occur in comparing GDP between countries?

What is purchasing power parity?