Week Twenty-Nine: GDP

Weekly Focus: Response with Evidence
Weekly Skill: Integrating Content

Lesson Summary: This week students will be introduced to the concept of Gross Domestic Product (GDP). They will then work with a visual representation of GDP and, finally, research the GDP of a country of their choice.

Materials Needed: Internet Access, Laptops or Computers, GDP Reading and Handouts

Objectives: Students will be able to…

- Demonstrate an understanding of "demand" in an economic cartoon.
- Define "Gross Domestic Product" and "Gross Domestic Product per Capita"
- Demonstrate understanding of GDP through assessment questions
- Present an informed and research presentation concerning a country's GDP

Common Core Standards Addressed: CCSS.ELA-Literacy.RH.9-10.7, CCSS.ELA-Literacy.RH.9-10.4

Notes: Even though the figures in the reading are from 1993, the method of calculating the GDP is still applicable. Furthermore, looking up the current U.S. GDP per capita in the research portion of the lesson could lead to a great discussion about why the numbers are so different.

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Activities:

Warm-Up/Review: Supply and Demand Cartoon	Time: 20 minutes
Hand out cartoon to students and have them read and answer the questions. Go over the answers as a class, reviewing the economic terms "Supply" and "Demand" from last week.	

Reading Activity: GDP	Time: 30 minutes
Read through the GDP essay as a class. Stop frequently to make sure that students are understanding the concepts. As you get to the questions, have students work in pairs to answer them. Go over as a class.	

Break: 10 minutes

Research Activity:	Time: 40 minutes
1) When you return, be sure that students understand what GDP and GDP per capita mean. Divide students into groups of 2-4 students. Ask each group to come up with a definition of GDP and GDP per capita *in their own words*. Give them five minutes to do so. 2) Come back together and discuss as a class. Ask students how GDP might be used to examine a country's economic success. What problems might there be with *only* using GDP as an indicator of success? 2) Hand out GDP Research Sheet. Have each group choose a country to research. 3) Walk through the research questions with students, explaining what they should be looking for. ****Teachers, students who are beginning researchers may struggle to find this information. If so, here are two very useful websites to point them to: a) **Index Mundi**: Students can select their country and then GDP per capita to see a historical graph of the information. This is also a useful tool for them to be able to compare their country to others. b) **CIA's World Factbook**: This site provides a profile of each country, including an "economic" section.	

Presentation: Students Share Research	Time: 20 minutes
Have each group present its findings to the class.	

Extra Work/Homework:	Time:
If there is not time for the research assignment, students may choose to complete this as homework.	

Online Resources:

1) Index Mundi
2) World Factbook

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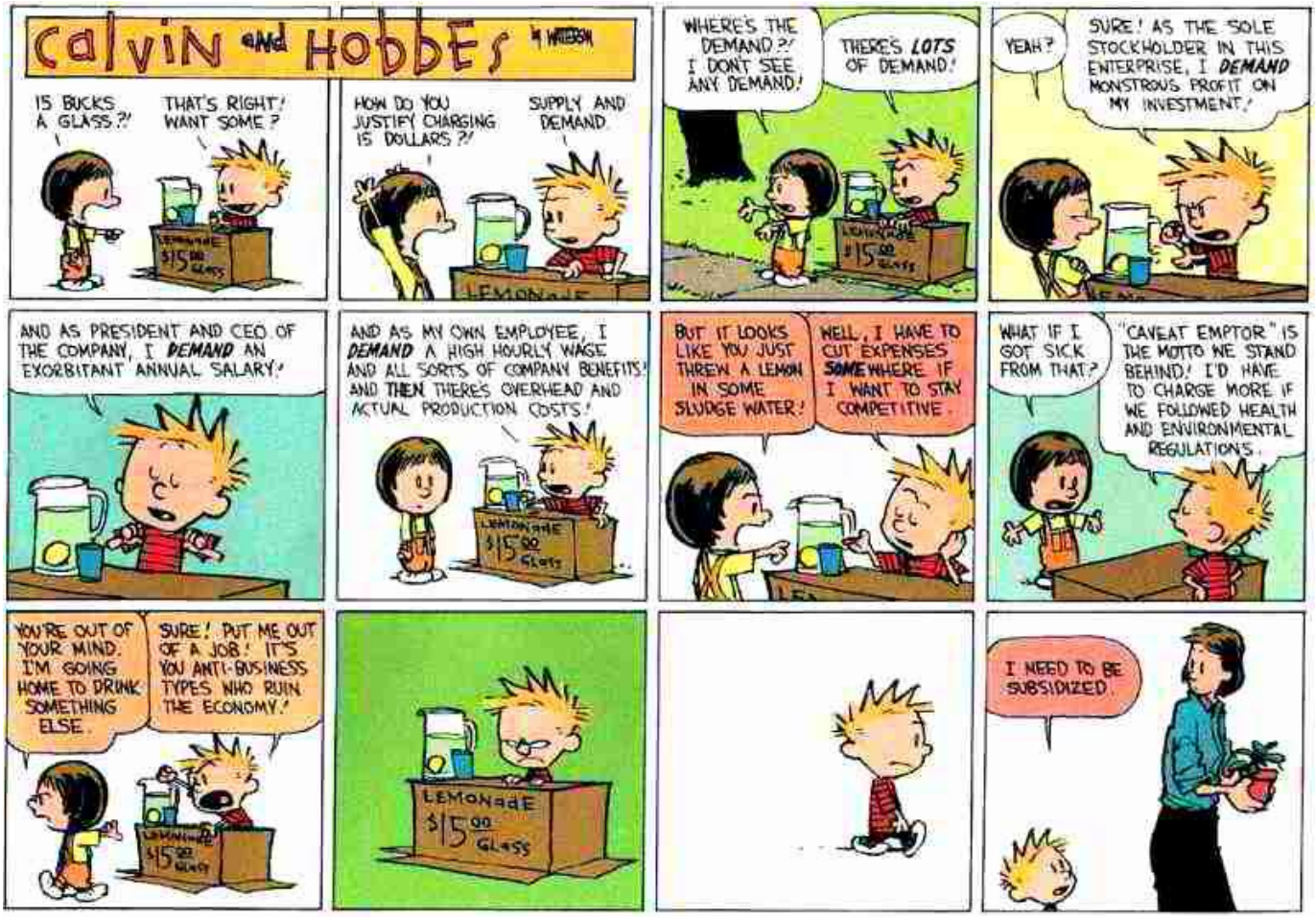
Taken from: http://www.cooperativeindividualism.org/political-economy-of-calvin-and-hobbes-5.html



Directions: Read through the comic strip above and answer the questions below.

1) Why is Calvin unable to sell his lemonade?

2) In what way is Calvin's definition of "demand" different than Susie's?

3) In a competitive market economy, whose definition would be correct?

GROSS DOMESTIC PRODUCT

Gross Domestic Product (GDP) is a statistic that shows the value of goods and services produced in a country in a particular year. All of the goods and services that are sold each year have to be counted. Every new car and truck, every egg laid by every hen, every CD, every doughnut, burger, and taco has to be included. Services must be counted, too. Barbers, nurses, lawyers, computer programmers, and basketball players sell their services and these services are part of GDP. Suppose all of these things and many more besides were stacked up in one big pile. It would still be hard to know the value of all the goods and services produced by the economy, yet this is what the Gross Domestic Product (GDP) tries to measure.

How is it done? First, instead of counting the actual goods made and sold and all the of the services performed, economists add up what these things sold for in dollars and cents. In otherwords, they are using money as a **measure of value**. So, if people buy 2,000,000 pounds of apples at $1 per pound, and 2,000,000 books at $1 per book, then these purchases add $4,000,000 to the Gross Domestic Product.

Second, not everything made and sold during the year can be counted. For example, the paper in your GED notebook was once part of a giant roll of paper in a paper mill. Some people worked hard to make your book. Both the roll of paper and the books are goods. But if the money paid for both the roll of paper and the book were counted, the value of the paper would be counted twice. So to avoid this problem of **double counting**, economists only count a product in its final form. They count the paper, for example, in its final product form as a book, newspaper, a magazine, or a shopping bag. They refer to these as **final goods and services**.

There are two different ways of counting the value of goods and services, but they both give the same answer. The first way, the **flow of product approach**, is by counting all the money spent by the buyers of goods and services. The second way, **the earnings and cost approach**, is by counting all the money received by those who produce the goods and services. Each of these ways looks at different sides of the same economic activities. If a person makes a chair and sells it for $50, both seller and buyer have helped increase the Gross Domestic Product by $50. In figuring out what the Gross Domestic Product is, an economist might count the $50 the buyer spent for the chair, using the flow of product approach. But he might count the $20 that went to the lumber yard owner, the $5 that went to the paint store owner, the $5 for wear and tear on tools used in making the chair, and the $20 for the cost of labor, instead. These are the payments that were made for the resources that were used to produce the chair, and this example of the earnings and cost approach also adds up to $50.

If the Gross Domestic Product is computed using the flow of product approach and counting what people spend, four different kinds of spending must be taken into account. These are:

- consumption: spending by ordinary consumers,
- investment: spending by businesses on new equipment,
- spending by all levels of Government, and
- spending by foreigners who buy American goods (our exports) minus spending by Americans on foreign goods (our imports.

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Of course, no way of adding up the Gross Domestic Product can be entirely accurate. But the two ways discussed here give a rough estimate of the total value discussed here give a rough estimate of the total value of what the economy produces in a given year. Better still, measuring the Gross Domestic Product each year can show if the economy is growing or shrinking, healthy or sick. It is a standard by which the economy as a whole can be judged. It can be used to compare one economy with another. It can also be used to compare an economy with itself over time.

Symbolically, GDP is represented by the equation:

GDP = C + I + G + (X - M)

The letters in this equation represent the four kinds of spending mentioned above. **C** is for consumer spending, **I** is for business investment spending, **G** is government spending, **X** is the spending by foreigners on the nation's exports, and **M** is the spending on imported goods from foreign nations.

The figures below show the levels of spending in *billions of dollars* for the United States economy in 1993.

Consumer Spending	4,390.6
Investment Spending	892.0
Government Spending	1,157.1
Exports	660.1
Imports	725.8

Source: *Economic Report of the President, 1994*

1. Using the GDP equation above, calculate the United States GDP for 1993. _____

Gross Domestic Product per capita is the amount of GDP that would be available for each person to use if a country's production of goods and services were divided equally among its people. *Capita* is the Latin word for *head*, so GDP per capita means GDP per person. GDP per capita is one way to determine how well-off the average person is in a country.

2. Calculate the United States GDP per capita by dividing the GDP obtained above by the 1993 population. The population of the United States in 1993 was 258,233,000. _____

GDP does not show the types or quality of goods and services that a country produces. GDP per capita shows an average standard of living, and it does not show how many people in a country are richer or poorer than the average. People in countries that have similar levels of GDP per capita may share goods and services in very different ways.

GDP has other limitations as a measure of economic well-being. It does not include items such as goods and services not sold in the marketplace such as cooking, repairing one's own car, mowing

the lawn, painting the garage, and other unpaid work done at home. The value of leisure time, and illegal goods and services are not added to GDP, and negative goods, such as pollution, that detract from well-being are not subtracted.

Despite its limitations, GDP is a powerful measure of economic welfare. It can be used in combination with other measures to assess the welfare of people throughout the world.

RESEARCH A COUNTRY'S GDP PER CAPITA

Name of Country	
Gross Domestic Product (GDP) Per Capita for 2013 (or the most recent year)?	
What major goods does this country produce?	
Is this GDP per capita high or low compared to other countries in the world?	

NEXT: Using Evidence from your research, write a paragraph explaining why you believe that this country's economy is currently successful or unsuccessful.

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