Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Period: \_\_\_\_ Date: \_\_\_\_\_\_\_\_\_

**GDP Practice Activity (Answers)**

*Directions*: Answer the questions below in the space provided.

1. Of the various types of expenditures, which one could possibly be recorded as a negative figure in a nation's GDP measurement? How could it be negative?

|  |
| --- |
| X(n) could be a negative figure if imports exceeded exports in a given year. |

1. Assume a government wishing to balance its budget does so by shutting down several military bases in locations around the country. Explain the impact this policy will have on GDP.

|  |
| --- |
| Government expenditures (G) would decrease significantly and would impact overall GDP. |

1. Assume a government reduces the income tax rate on households and businesses. Explain the impact this policy will most likely have on GDP.

|  |
| --- |
| Consumer expenditures (C ) and business investments (I) would increase because their income/profits would increase which would create an increase in GDP. |

1. With household consumption lagging behind the year’s predicted economic forecast, US manufacturers are left with higher than expected inventories. What impact might this have on the coming year’s GDP? Explain.

|  |
| --- |
| While inventory does count as an investment, higher than expected inventories can lead to a potential dip in GDP.  If we have higher inventories this year it means we made extras that we didn't sell.  So next year we may not produce as much and GDP could fall. |

**The following list shows the total expenditures in the private, public and foreign sectors in the United States in 2009 (in billions of dollars).**

**○ Household Consumption (C) = 10,001**

**○ Private Investment (I) = 1,590**

**○ Government Expenditures (G) = 2,914**

**○ Net Exports (X-M) = -386.**

1. Calculate total US GDP for 2009.

|  |
| --- |
| 14,119 (in billions) |

1. Calculate the percentage each sector of the economy contributed to the US GDP in 2009.

|  |
| --- |
| Roughly  C – 70%  I – 10%  G – 20%  X(n) – negative calculation (-.02) |