

ECO 2013 – PRINCIPLES OF MACROECONOMICS
CHAPTER LEARNING OBJECTIVES

CHAPTER 5
NATIONAL INCOME ACCOUNTING

The Macro Economy Today, 11th edition by Bradley R. Schiller

As you read through Chapter 5 of the assigned textbook, use these objectives as a guide for note taking. Yes, I really expect you to read this chapter! Yes, I really expect you to take notes on what you are reading about within this chapter! That's how you LEARN new subject material! Provide an "answer" to each of the learning objectives listed below, and then cross-reference this list with the in-class lecture notes that you've taken on this chapter. Of course there will be some overlap in the coverage of topics! If it's important for you to know after reading this chapter, then it's on the list below. Remember, I use the lecture period to highlight super-important concepts and to relate them to current events. You HAVE TO read along in the textbook if you want to acquire all of the information you will need for testing purposes!

After a careful reading of Chapter 5, the student is expected to be able to:

- (1) Explain when and why the measurement of national output became important to politicians.
- (2) Know the name of the economist who was responsible for developing our national income accounting procedures.
- (3) Define the term *Gross Domestic Product (GDP)*.
- (4) Explain how Gross National Product (GNP) is different from Gross Domestic Product (GDP).
- (5) Define the term *GDP per Capita* and explain what this statistic is most commonly used for.
- (6) Explain how nonmarket activities and unreported income cause measurement problems with a nation's GDP.
- (7) Define the term *intermediate good* and explain whether or not they are counted in a nation's GDP.
- (8) Define the term *Nominal GDP*.
- (9) Define the term *Real GDP*.
- (10) Explain why it is important to make the distinction between Nominal GDP and Real GDP.
- (11) Define the term *base period*.
- (12) Given the necessary data, convert Nominal GDP into Real GDP using the GDP deflator.

- (13) Explain what types of consumption spending get included in our computation of GDP.
- (14) Explain what types of investment spending get included in our computation of GDP.
- (15) Explain what types of government spending get included in our computation of GDP.
- (16) Define the term *exports*.
- (17) Define the term *imports*.
- (18) Define the term *net exports*.
- (19) Identify the formula used for computing GDP with the expenditure approach.
- (20) Explain what kinds of things we would include in our measure of GDP if we used the income approach to measure it.
- (21) Explain why the total value of incomes must equal the total value of final output.
- (22) Define the term *disposable income*.
- (23) Define the term *saving*.
- (24) Explain the two uses of disposable income.
- (25) Discuss whether or not the GDP accounts tell us anything meaningful about the quality of life within a nation.

NOTE 1: Keep in mind that the lecture outline for Chapter 5 will provide more up-to-date statistical data, relative to what is printed in your textbook. For testing purposes, you will be responsible for knowing the most up-to-date statistical data.

NOTE 2: For testing purposes at this point in the semester, you WILL NOT be required to compute Net Domestic Product, National Income, Personal Income or Disposable Income. However, you should still read through these sections of Chapter 5 (pages 95 – 100), since terminology and concepts are still important and may well show up on an exam!