

**THE US ECONOMY: A GLOBAL VIEW**

*The Micro Economy Today*, 11<sup>th</sup> Edition  
By Bradley R. Schiller

## Chapter 2

## I. What America Produces

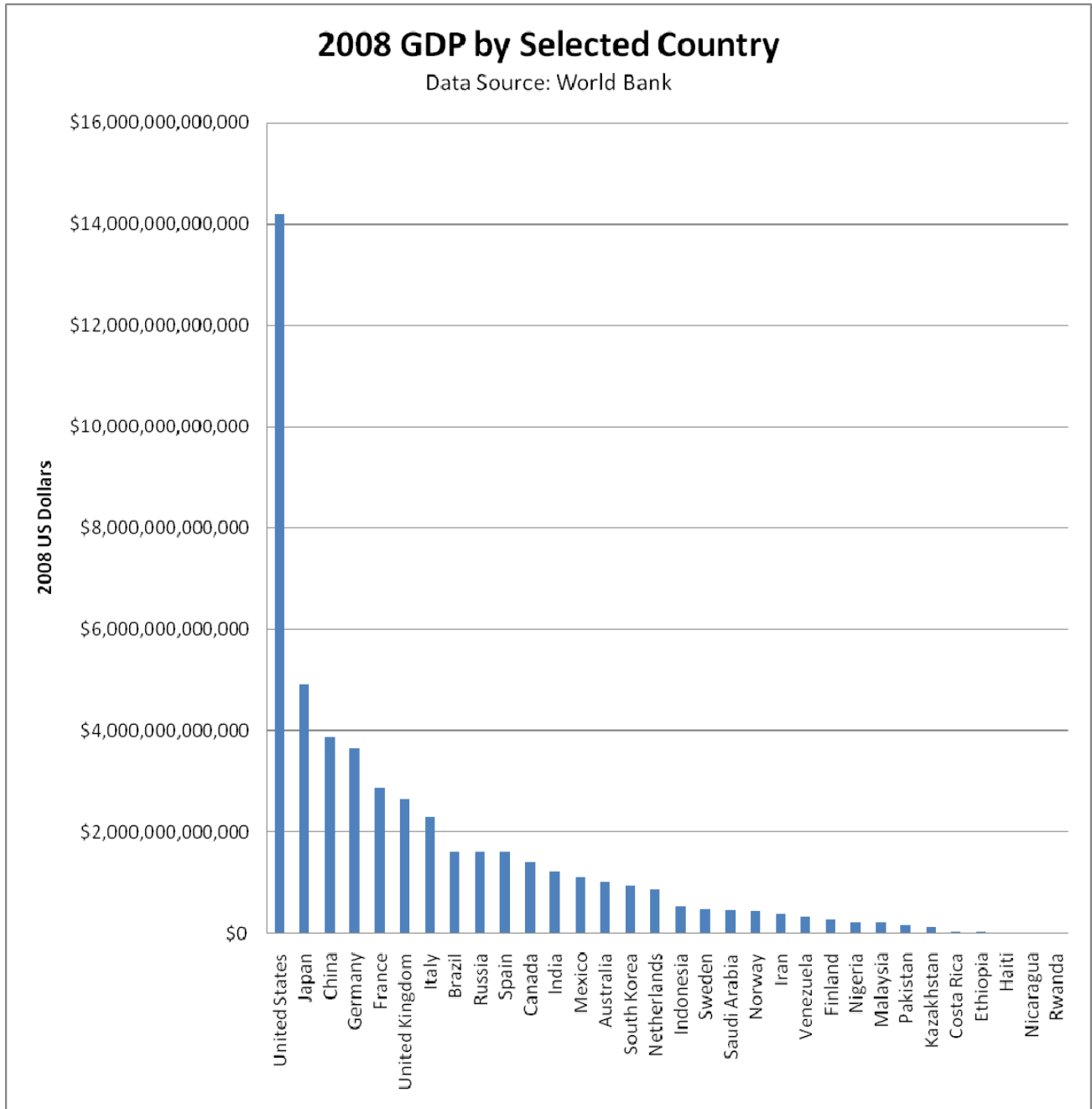
A. FACT: The US has less than \_\_\_\_\_ of the world's population and has only \_\_\_\_\_ of the world's usable land, but it produces more than \_\_\_\_\_ of the world's output.

## B. Gross Domestic Product (GDP)

## 1. Definition:

2. Think about it as measuring the size of a nation's \_\_\_\_\_  
\_\_\_\_\_ .

3. In 2008, the US economy produced over \_\_\_\_\_  
worth of goods and services.



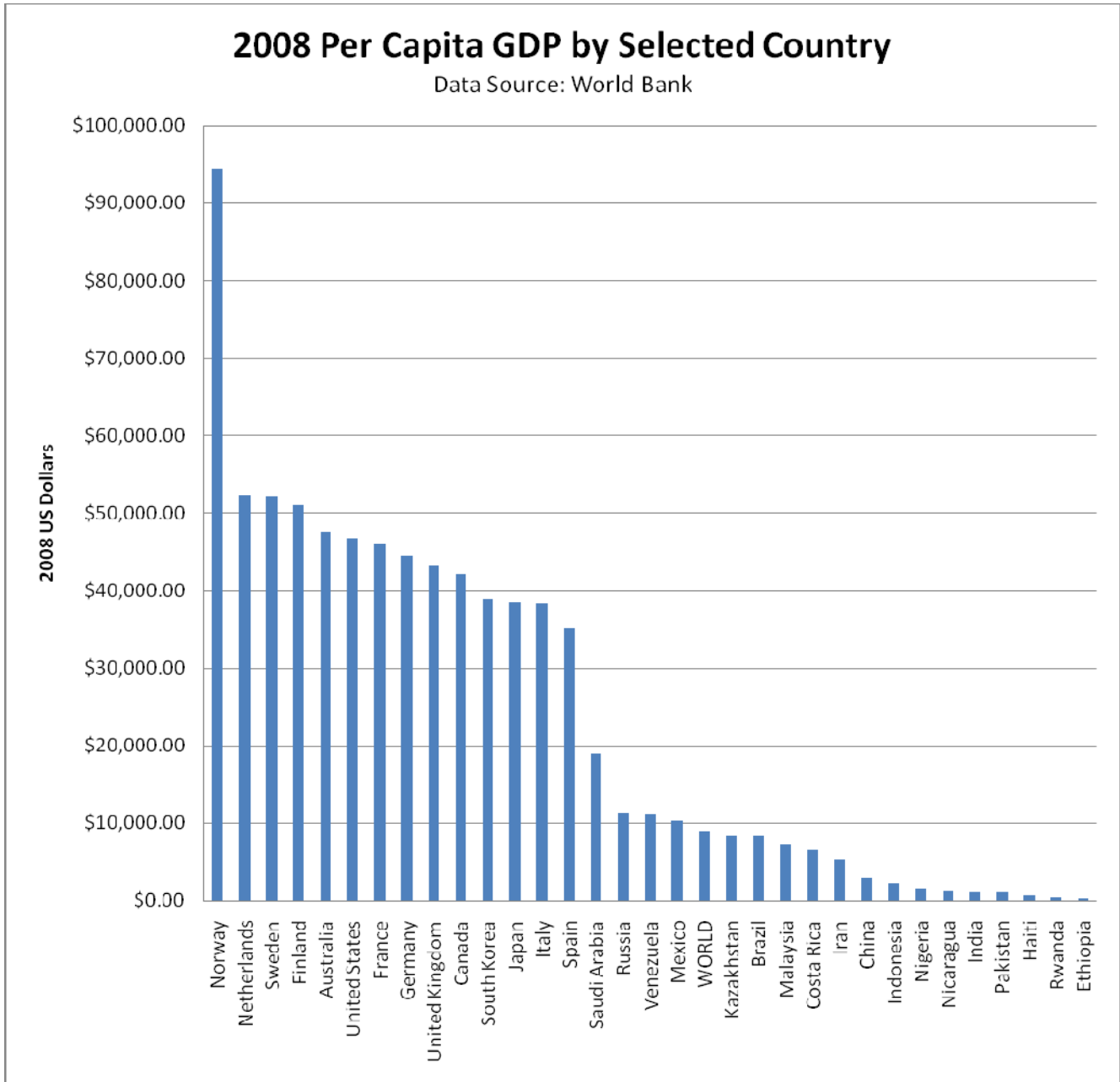
C. Per Capita GDP

1. Formula:

2. Think about it as measuring the:

3. It is frequently used to approximate a nation's \_\_\_\_\_  
\_\_\_\_\_ .

4. In 2008, US Per Capita GDP was approximately \_\_\_\_\_ .



2008 GDP Rank	Country	2008 GDP	2008 Population	2008 Per Capita GDP
1	United States	\$14,204,322,000,000	304,060,000	\$46,715.52
2	Japan	\$4,909,272,000,000	127,704,000	\$38,442.59
3	China	\$3,860,039,000,000	1,325,640,000	\$2,911.83
4	Germany	\$3,652,824,000,000	82,140,000	\$44,470.71
5	France	\$2,853,062,000,000	62,048,000	\$45,981.53
6	United Kingdom	\$2,645,593,000,000	61,399,000	\$43,088.54
7	Italy	\$2,293,008,000,000	59,855,000	\$38,309.38
8	Brazil	\$1,612,539,000,000	191,972,000	\$8,399.87
9	Russia	\$1,607,816,000,000	141,800,000	\$11,338.62
10	Spain	\$1,604,174,000,000	45,568,000	\$35,203.96
11	Canada	\$1,400,091,000,000	33,311,000	\$42,030.89
12	India	\$1,217,490,000,000	1,139,965,000	\$1,068.01
13	Mexico	\$1,085,951,000,000	106,350,000	\$10,211.10
14	Australia	\$1,015,217,000,000	21,374,000	\$47,497.75
15	South Korea	\$929,121,000,000	23,858,000	\$38,943.79
16	Netherlands	\$860,336,000,000	16,443,000	\$52,322.33
19	Indonesia	\$514,389,000,000	228,249,000	\$2,253.63
22	Sweden	\$480,021,000,000	9,221,000	\$52,057.37
23	Saudi Arabia	\$467,601,000,000	24,646,000	\$18,972.69
24	Norway	\$449,996,000,000	4,769,000	\$94,358.57
26	Iran	\$385,143,000,000	71,956,000	\$5,352.48
30	Venezuela	\$313,799,000,000	27,943,000	\$11,229.97
33	Finland	\$271,282,000,000	5,313,000	\$51,060.04
39	Nigeria	\$212,080,000,000	151,319,000	\$1,401.54
42	Malaysia	\$194,927,000,000	26,993,000	\$7,221.39
47	Pakistan	\$168,276,000,000	166,037,000	\$1,013.48
52	Kazakhstan	\$132,229,000,000	15,675,000	\$8,435.66
82	Costa Rica	\$29,834,000,000	4,527,000	\$6,590.24
86	Ethiopia	\$26,487,000,000	80,713,000	\$328.16
132	Haiti	\$6,953,000,000	9,780,000	\$710.94
135	Nicaragua	\$6,592,000,000	5,678,000	\$1,160.97
143	Rwanda	\$4,457,000,000	9,721,000	\$458.49
	<b>WORLD</b>	<b>\$60,115,459,000,000</b>	<b>6,692,062,000</b>	<b>\$8,983.10</b>

The data used for the two bar charts above and this table can be accessed online at:

<http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP.pdf>

<http://siteresources.worldbank.org/DATASTATISTICS/Resources/POP.pdf>

D. The Four Major Uses of Output

1.

2.

3.

4.

E. Today's Mix of Output

America is a \_\_\_\_\_ economy.

II. How America Produces

A. Labor Resources

1. On average, American workers earn \_\_\_\_\_ on the job . . .

Because they are \_\_\_\_\_ while on the job.

Definition:

2. High labor productivity comes from:

a.

As of 2008, \_\_\_\_\_ of the total US population (aged 25 and up) had graduated from high school.

As of 2008, \_\_\_\_\_ of the total US population (aged 25 and up) had graduated with a Bachelor's Degree or higher.

Data Source: <http://www.census.gov/population/www/socdemo/education/cps2008.html>

b. Business owners providing workers with \_\_\_\_\_  
\_\_\_\_\_ to use on the job.

B. The basic economic role of government

1. In order for a market-based economy to function, we NEED the government to do a few things for us:

a.

b.

c.

d.

2. Key for a nation:

A nation's rate of economic growth is \_\_\_\_\_ related to the nation's degree of economic freedom.

**\*\* Refer back to Chapter 1, pages 14 – 15 and the two “World View” boxes \*\***

### III. For Whom America Produces

A. How many goods and services YOU end up with depends on . . . . .

#### B. US Income Distribution

For our purposes, the income distribution will be analyzed at the household level. A household consists of all people who occupy a housing unit, regardless of their relationship.

In 2008, the US had approximately \_\_\_\_\_ households.

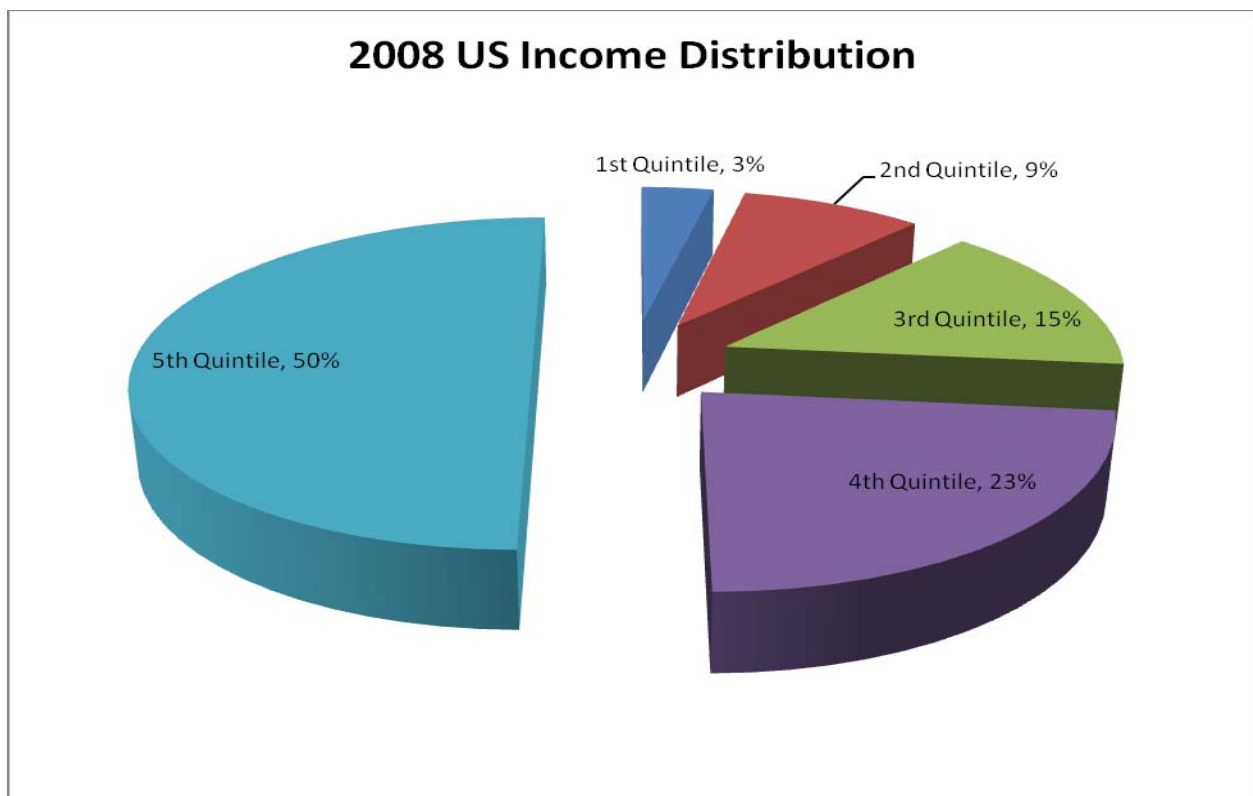
Those households must be ordered from lowest income to highest income.

That ordering of households will then be divided into FIVE groups of equal size, called quintiles.

In 2008, each quintile contained approximately \_\_\_\_\_ households.

## 2. Table

<b>Income Quintile</b>	<b>2008 Household Income</b>	<b>Average Household Income</b>	<b>Share of Total National Income</b>
First	\$0 - \$20,712	\$11,656	3.4%
Second	\$20,712 - \$39,000	\$29,517	8.6%
Third	\$39,000 - \$62,725	\$50,132	14.7%
Fourth	\$62,725 - \$100,240	\$79,760	23.3%
Fifth	Above \$100,240	\$171,057	50.0%



Data for the table and pie chart can be accessed online at:

<http://www.census.gov/hhes/www/income/histinc/h01AR.html>

<http://www.census.gov/hhes/www/income/histinc/h02AR.html>

<http://www.census.gov/hhes/www/income/histinc/h03AR.html>

C. How does America choose to alter the income distribution?

1. Income Taxes in the US are \_\_\_\_\_ .

For Tax Year 2009, the Federal Income Tax Brackets will look like this:

If taxable income is over	But not over	Then your tax is
\$0	\$8,350	10% of the amount over \$0
\$8,350	\$33,950	\$835 + 15% of the amount over \$8,350
\$33,950	\$82,250	\$4,675 + 25% of the amount over \$33,950
\$82,250	\$171,550	\$16,750 + 28% of the amount over \$82,250
\$171,550	\$372,950	\$41,754 + 33% of the amount over \$171,550
\$372,950	No limit	\$108,216 + 35% of the amount over \$372,950

For Tax Year 2009, the Standard Deduction will be \$5,700 and the Personal Exemption will be \$3,650.

2. Income Transfers:

Most transfer programs in the US are \_\_\_\_\_ .

3. Implication: Our system of redistribution provides low-income people with \_\_\_\_\_ than the free market itself would provide.

4. CAUTION: Major attempts to re-slice the economic pie CAN cause: