

YouTube Title: “Economists Must Learn to Subtract”

<http://www.youtube.com/watch?v=I2QHj75Ulmo&feature=youtu.be>

Video Length: 0:31 seconds

Chapter 8: The Business Cycle, p. 154

Topic: Stable or Unstable?, p. 155

Key Terms: GDP, GDP growth

Learning Objective 1: The major macro outcomes and their determinants.

Economic Application

Real Gross Domestic Product is the inflation-adjusted total value of goods and services produced within a nation’s borders. Changes in real GDP are a proxy for changes in a society’s production (e.g., the number of grapefruits, houses, cars, items of clothing, movies, etc.) for a year, and one measure of the health of an economy. This commercial produced by ADbusters, points out some of the limitations of the current measure of real GDP. In particular, when the natural resources of a country are depleted, when human created disasters (such as oil spills) necessitate clean-up, and when our society has increased health care costs (due to increased cancer rates for example) our real GDP increases. However, the economic growth and implied increase in the health of our economy, is questionable at best.

Multiple-Choice Question

Identify which of the following item(s) would be included in the GDP of the United States:

- a) the lumber and paper created that is associated with deforestation in the Pacific Northwest.
- b) the expenditures incurred through the clean-up of a large oil spill on the southern coast.
- c) the health care expenditures associated with a rise in the rate of cancer in the U.S.
- d) all of the above.

Discussion Question

This ADbusters commercial shows some of the limitations of our current measure of real GDP. What are some of these limitations?