Computing the Gross Domestic Product

The *productivity* of a country is a good measure of its economic health. The total value of the goods and services produced in a country in a given year is called its **gross domestic product (GDP).** Only goods, such as cars, food, and clothing, and services, such as haircuts and appliance repairs, add to the national income. You must compare GDP over a period of time. **Real GDP** (or *adjusted GDP*) is the GDP adjusted to include the effects of inflation. **Per capita GDP** is the amount of goods and services the average citizen can afford to buy, or the GDP per person.

Real GDP = GDP - (GDP X Inflation Rate)
Per Capita GDP = GDP Population

Practice Example:

Find the per capita GDP.
China has a population of 500 million and a GDP of $900 billion. What is the per capita GDP?
Find the per capita GDP.
Per Capita GDP = GDP / Population
$900,000,000,000 / 500,000,000 = **$1,800 per capita GDP**

STUDENT ASSIGNMENT:
Find the real GDP and the per capita GDP.

	GDP	Inflation Rate	Population	Real GDP	Per Capita GDP
1	$150 million	5.00%	1.5 million		
2	55,250,000	2.75%	8,375,000		
3	650 billion	3.25%	180 million		
4	855 million	4.62%	8.84 million		
5	99 billion	10.20%	3.3 billion		
6	87 million	11.85%	2.97 million		

7. Ireland has a GDP of $99.3 billion and an inflation rate of 1.8 percent. What is the country's real GDP?

8. Ireland has a GDP of $99.3 billion and a population of 3,841,000. Belgium has a GDP of $227.2 billion and a population of 10,259,000. Switzerland has a GDP of $240.3 billion and a population 7,283,000. Sweden has a GDP of $228 billion and a population of 8,875,000. Which country has the highest per capita GDP?
A. Ireland   **B.** Belgium   **C.** Switzerland   **D.** Sweden