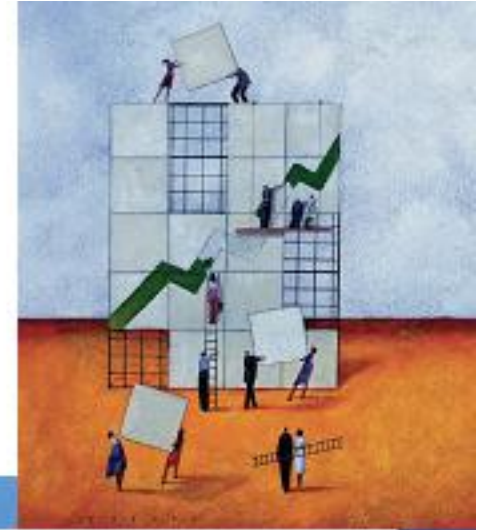


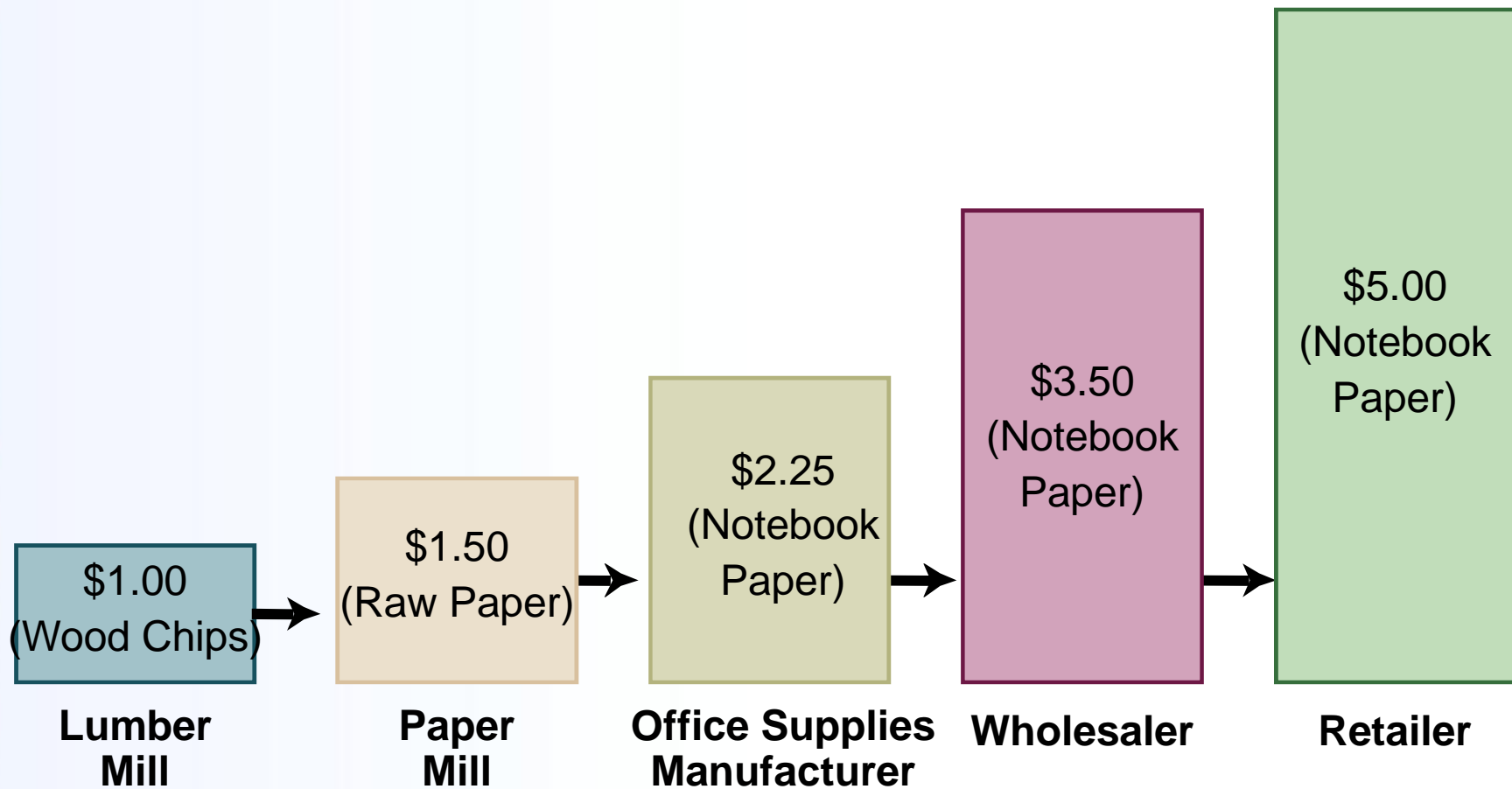
# Chapter 5



## Production, Income, and Employment

# Stages of Production

- **Figure 1** Stages of Production



# Table 1: Quarterly and Annual GDP in 2005

	GDP (\$ billions)
<b>Quarters</b>	
2005—I	\$12,173.2
2005—II	\$12,346.1
2005—III	\$12,573.5
2005—IV	\$12,730.5
<b>Year</b>	
2005	\$12,455.8

## Table 2: GDP in 2005 – The Expenditure Approach

Consumption Purchases (\$ billion)		Private Investment Purchases (\$ billion)		Government Purchases (\$ billion)		Net Exports (\$ billion)	
Services	\$5,170	Plant, Equipment, and Software	\$1,256	Government Consumption	\$1,976	Exports	\$1,303
Nondurable Goods	\$2,539	New-Home Construction	\$ 770	Government Investment	\$ 397	Imports	\$2,019
Durable Goods	\$1,033	Changes in Business Inventories	\$ 21				
<b>Consumption –</b>	<b>\$8,742</b>	<b>Private Investment –</b>	<b>\$2,057</b>	<b>Government Purchases –</b>	<b>\$2,373</b>	<b>Net Exports –</b>	<b>– \$ 716</b>

$$GDP = C + I + G + NX$$

$$= \$8,742 + \$2,057 + \$2,373 + (-\$716)$$

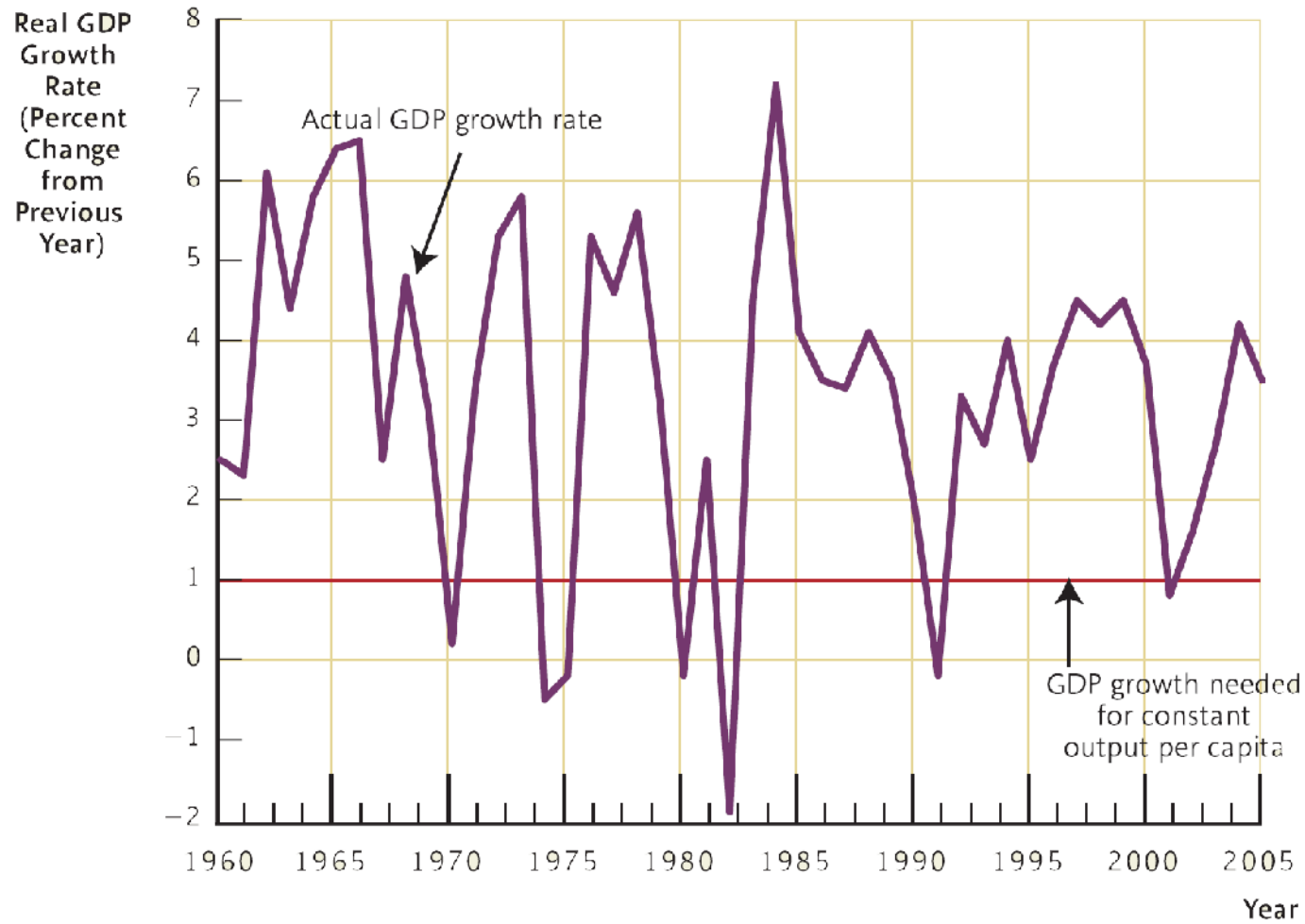
$$= \$12,456 \text{ billion}$$

## Table 3: Value Added at Different Stages of Production

<b>Firm</b>	<b>Cost of Intermediate Goods</b>	<b>Revenue</b>	<b>Value Added</b>
Lumber Company	\$ 0	\$1.00	\$1.00
Paper Mill	\$1.00	\$1.50	\$0.50
Office Supplies Manufacturer	\$1.50	\$2.25	\$0.75
Wholesaler	\$2.25	\$3.50	\$1.25
Retailer	\$3.50	\$5.00	\$1.50
			<hr/> Total: \$5.00

# Real GDP Growth Rate, 1960–2005

- **Figure 2** Real GDP Growth Rate, 1960–2005

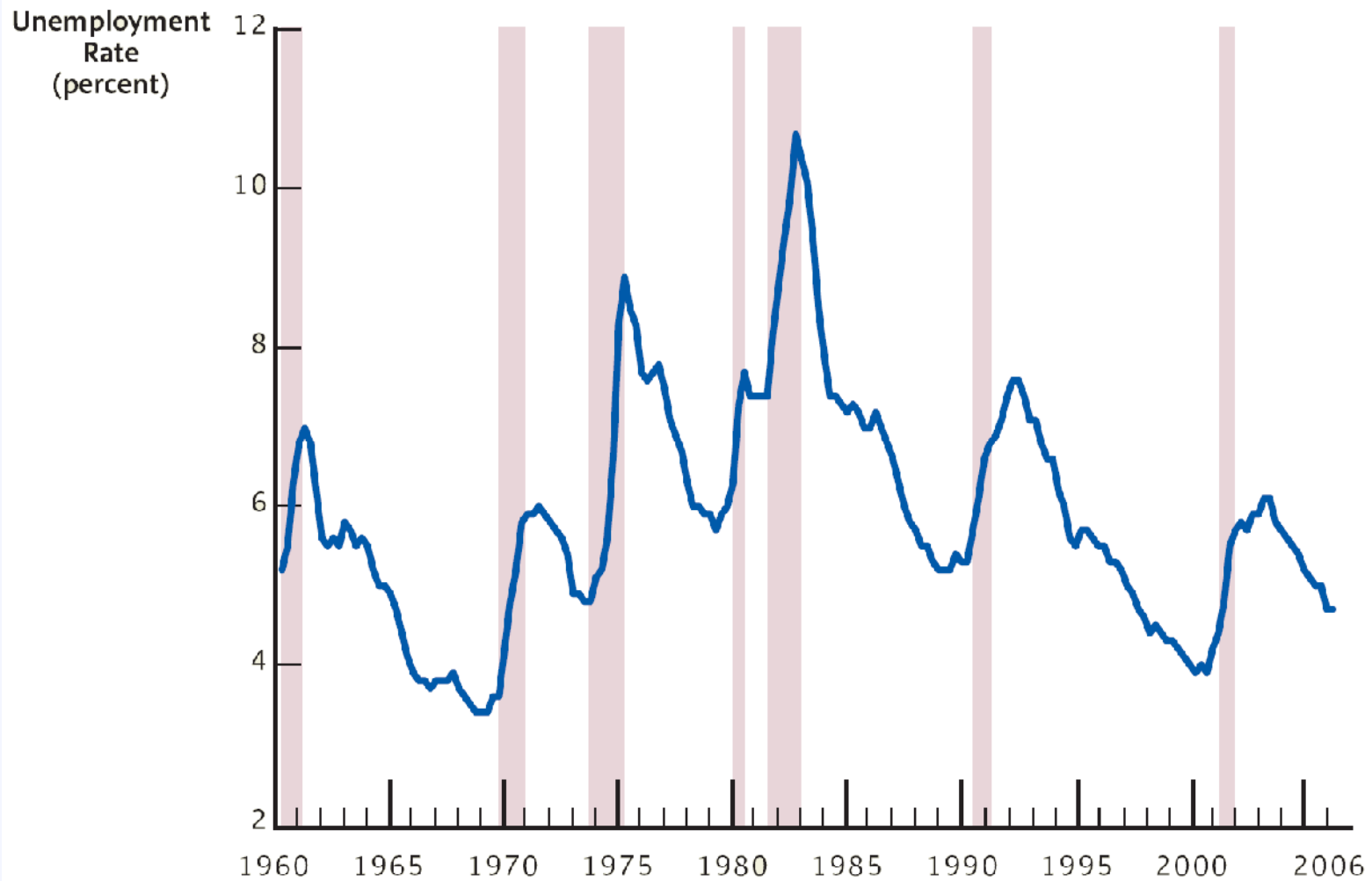


## Table 4: Average Unemployment Rates in Several Countries

<b>Country</b>	<b>Average Unemployment Rate, 1995–2005</b>	<b>Unemployment Rate, early 2006</b>
France	10.2 %	9.3 %
Italy	9.9 %	7.8 %
Canada	7.2 %	5.6 %
United Kingdom	6.2 %	5.2 %
Germany	8.9 %	8.8 %
Sweden	7.2 %	6.3 %
United States	5.2 %	4.7 %

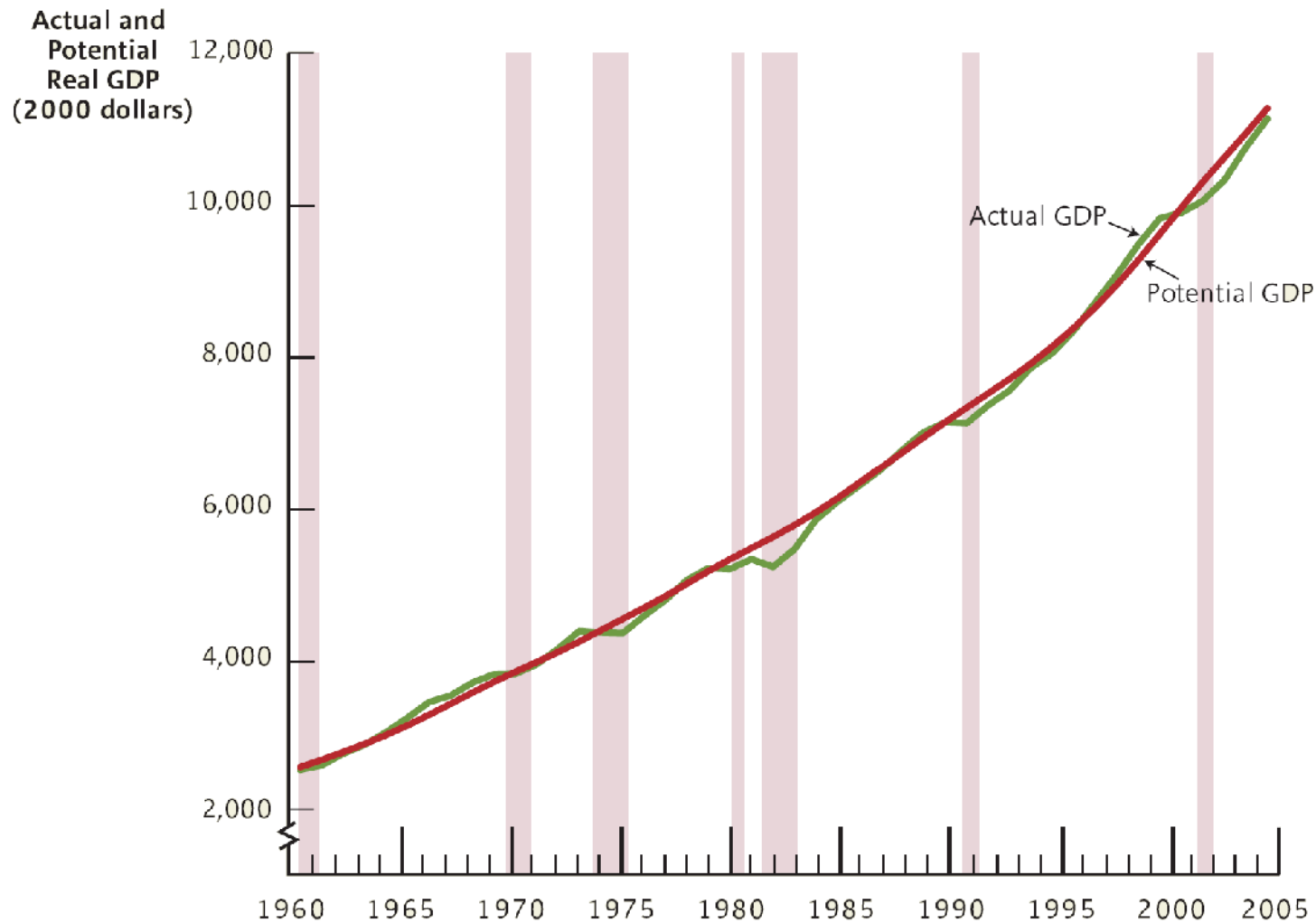
# U.S. Quarterly Unemployment Rate

- **Figure 3** U.S. Quarterly Unemployment Rate, 1960–2006



# Actual And Potential Real GDP

- **Figure 4** Actual And Potential Real GDP, 1960–2005

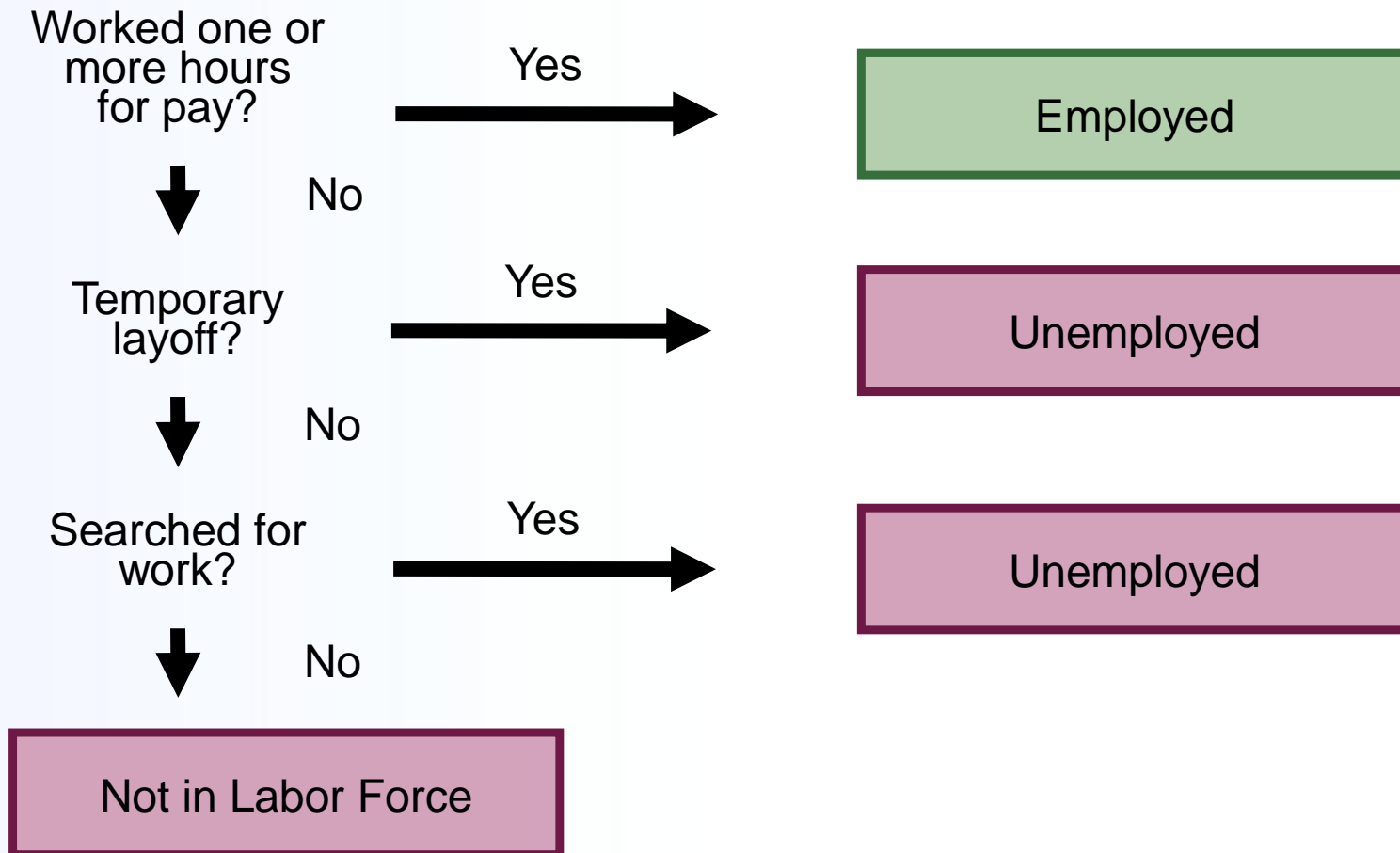


## Table 5: Unemployment Rates for Various Groups, May 2006

<b>Group</b>	<b>Unemployment Rate</b>
Whites	4.1%
Hispanics	5.0%
Blacks	8.9%
White Teenagers	12.7%
Black Teenagers	25.0%

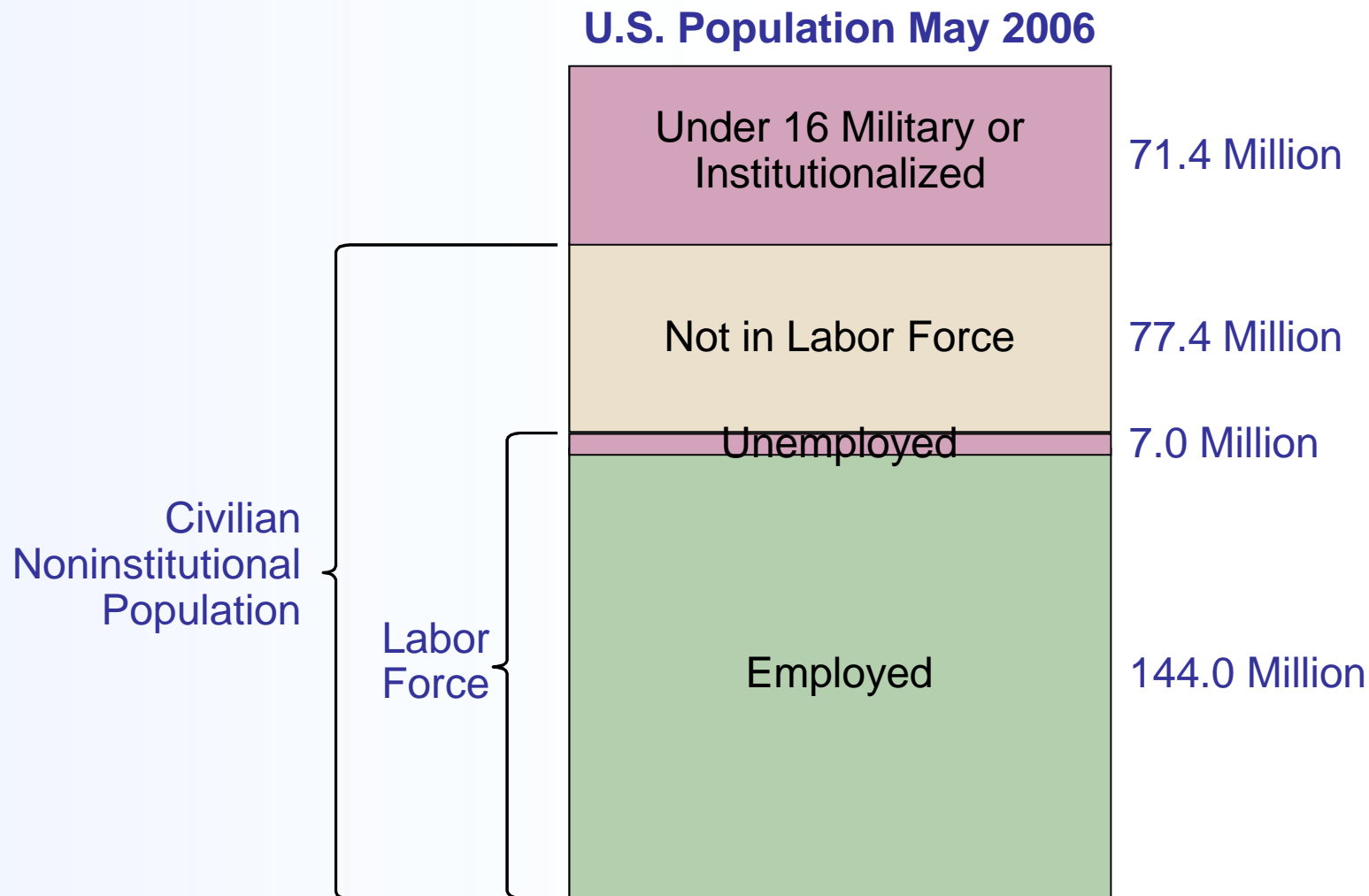
# The Census Bureau's Household Survey

- **Figure 5** How BLS Measures Employment Status



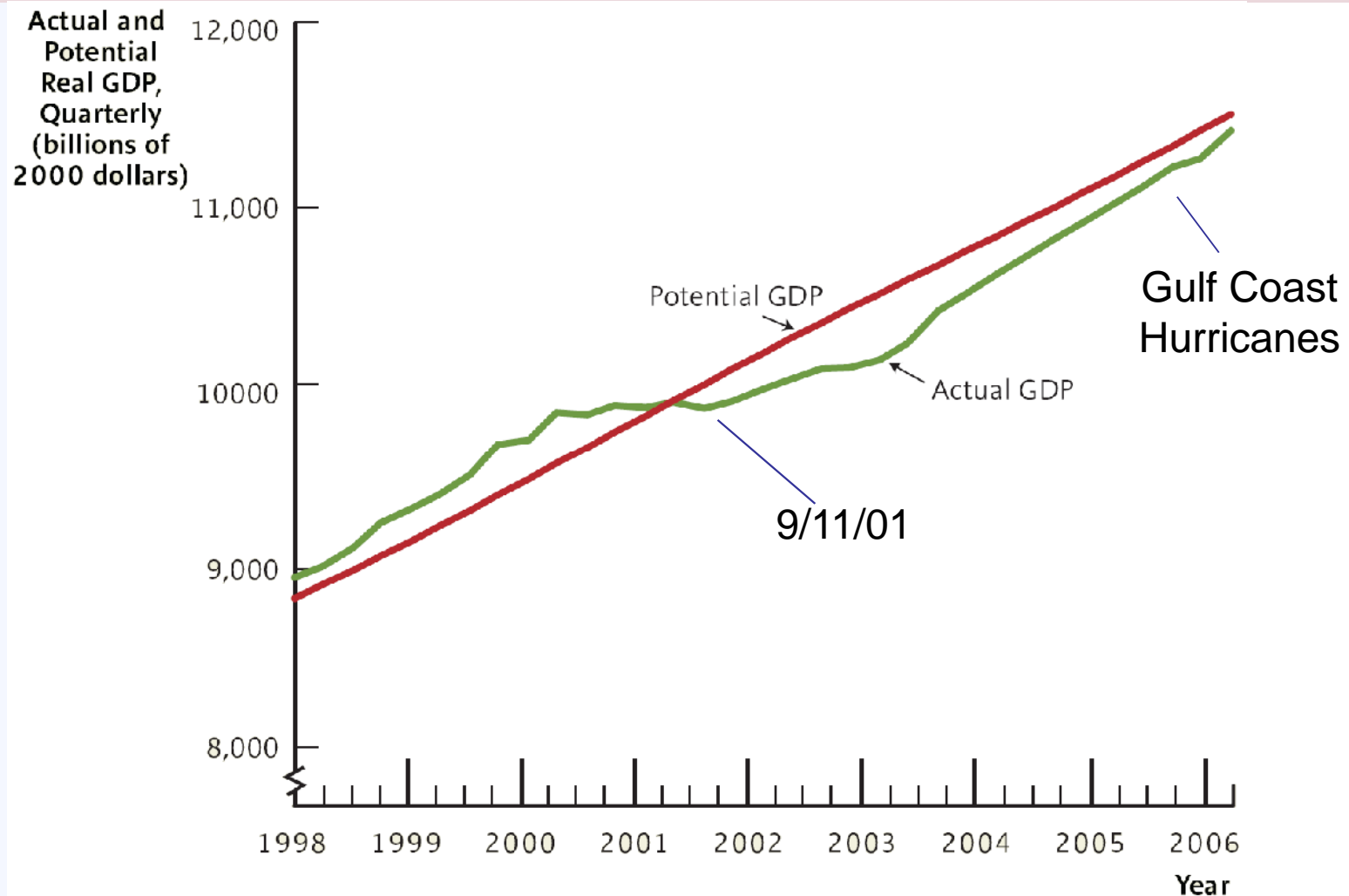
# The Census Bureau's Household Survey

- **Figure 6** Employment Status of the U.S. Population—May 2006



# Sudden Disasters and GDP

- **Figure 7** Quarterly GDP During Two Recent Disasters



## Table 6: Property Destruction from Hurricanes Katrina and Rita, 2005

Type of Property	Estimated Loss
Residential housing	\$17 billion to \$33 billion
Consumer durables (autos, furniture, appliances)	\$5 billion to \$9 billion
Energy infrastructure	\$18 billion to \$31 billion
Nonenergy business property	\$16 billion to \$32 billion
Public infrastructure	\$13 billion to \$25 billion
<b>Total</b>	<b>\$69 billion to \$130 billion</b>

## Table 7: Estimated and Projected Effects of Hurricanes Katrina and Rita on GDP

	Second Half, 2005	First Half, 2006	Second Half, 2006
<b>Direct effects</b>			
Energy production	-18 to -28	-8 to -10	-5 to -7
Housing services	-1 to -2	-2 to -4	-1 to -3
Agricultural production	-1 to -2	0	0
<b>Indirect effects</b>			
Reduced consumption spending (beyond direct effects)	-14 to -22	-7 to -11	-3 to -8
Replacement investment	+6 to +12	+16 to +34	+16 to +35
Increased government spending on goods and services	+6 to +10	+12 to +18	+14 to +20
<b>Total impact on real GDP</b>	<b>-22 to -32</b>	<b>+11 to +27</b>	<b>+21 to +37</b>