

Chapter 5

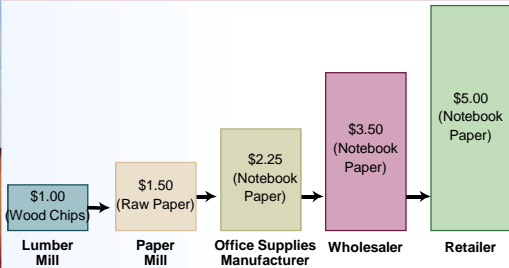


Production, Income, and Employment

ECONOMICS: Principles and Applications, 4e
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Stages of Production

• Figure 1 Stages of Production



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Table 1: Quarterly and Annual GDP in 2005

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

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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 \$1,266	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		
		Private Investment = \$2,057	Government Purchases = \$2,373	Net Exports = -\$ 716
Consumption =	\$8,742			
GDP = C + I + G + NX				
= \$8,742 + \$2,057 + \$2,373 + (-\$716)				
= \$12,456 billion				

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Table 3: Value Added at Different Stages of Production

Firm	Cost of Intermediate Goods	Revenue	Value Added
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
			Total: \$5.00

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Real GDP Growth Rate, 1960–2005

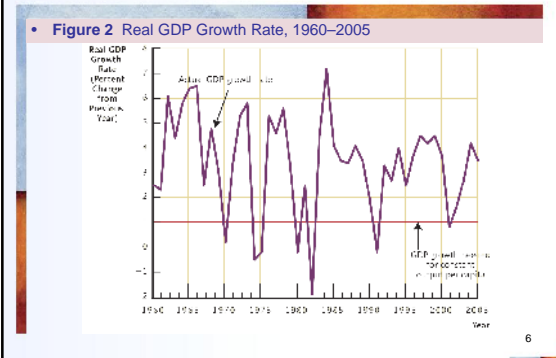


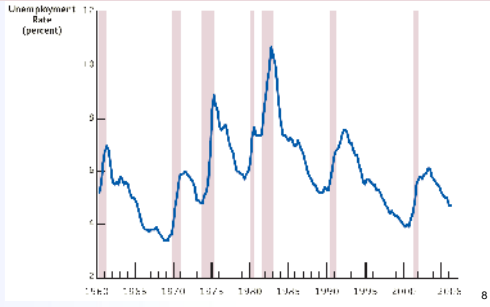
Table 4: Average Unemployment Rates in Several Countries

Country	Average Unemployment Rate, 1995–2005	Unemployment Rate, early 2006
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 %

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U.S. Quarterly Unemployment Rate

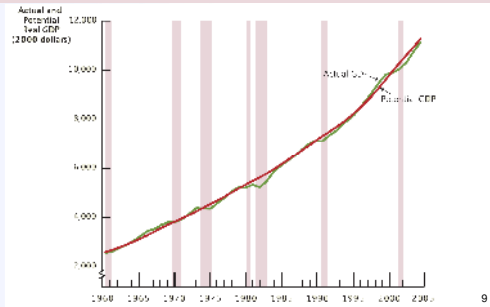
• **Figure 3 U.S. Quarterly Unemployment Rate, 1960–2006**



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Actual And Potential Real GDP

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



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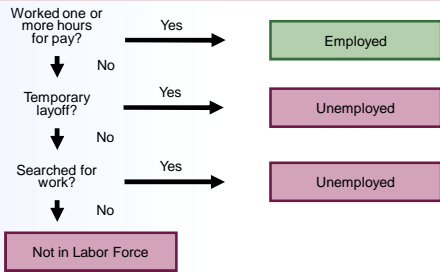
Table 5: Unemployment Rates for Various Groups, May 2006

Group	Unemployment Rate
Whites	4.1%
Hispanics	5.0%
Blacks	8.9%
White Teenagers	12.7%
Black Teenagers	25.0%

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The Census Bureau's Household Survey

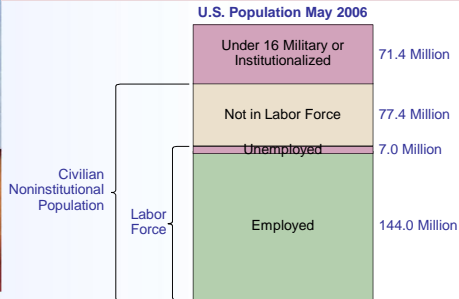
• **Figure 5** How BLS Measures Employment Status



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The Census Bureau's Household Survey

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



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Sudden Disasters and GDP

Figure 7 Quarterly GDP During Two Recent Disasters

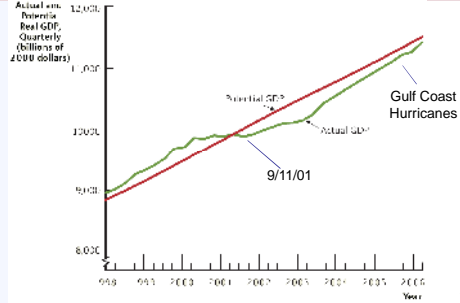


Table 6: Property Destruction from Hurricanes Katrina and Rita, 2005

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
Total	\$69 billion to \$130 billion

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

	Second Half, 2005	First Half, 2006	Second Half, 2006
Direct effects			
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
Indirect effects			
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
Total impact on real GDP	-22 to -32	+11 to +27	+21 to +37
