

THE FEDERAL RESERVE BANK OF ATLANTA

Gross Domestic Product

How do countries measure output?

MACROECONOMICS

GDP Activity (Updated 2023)

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GDP Infographic Activity

In an address given at the University of Kansas in March 1968, the late Robert F. Kennedy famously opined that gross national product “can tell us everything about America, except why we are proud that we are Americans.” (Gross national product, or GNP, was used as the official measure of US production until 1991.) Kennedy’s speech, which extolls the virtues of children’s health, education, and play as well as poetry, strong marriages, courage, and wisdom, is a thought-provoking primary source to begin a discussion of what our current measure of economic production, gross domestic product (GDP), does and does not capture.

Procedure

1. To begin the activity, read or display **Visual: Quote** from Robert F. Kennedy.
2. Explain that GNP was used as the official measure of US production until 1991. GNP measures the total value of all final goods and services produced by citizens of a country in a given period of time, regardless of whether those goods are produced within that country’s borders or abroad. GDP measures the total value of all final goods and services produced within a country’s borders, whether they are produced by citizens of that nation or not.
3. At the time of Robert Kennedy’s speech, GNP was \$800 billion. Ask students if they can estimate what it is today.
4. Inform students of the current GDP level. You may also wish to highlight the current differences between GDP and GNP. The current news release can be found here: <https://www.bea.gov/data/gdp/gross-domestic-product>. Click on Full Release and Tables to get current statistics.
5. Robert Kennedy’s point was that many of the best things in life cannot be measured in monetary terms. While he mentions the beauty of our poetry, poetry is printed in books, which *are* counted in GDP. Wisdom and learning cannot be measured in monetary value, but textbooks and computers can.
6. Display the GDP infographic (bit.ly/frba-gdp) section “What is Included in and Excluded from GDP” and tell students that not everything that is produced will be counted in GDP.



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7. Depending on students' prior knowledge, you may wish to explain the categories in more detail:

Consumption: Household purchases of goods and services (cars, Internet service, food, doctor's visits)

Investment: Business spending on goods and services used to produce goods and services (factories, machines, inventory). *Make sure to point out that new houses are counted in this category, not consumption.*

Government: Purchases of goods and services by state, local, and federal governments (schools, parks, military).

Net exports: Exports minus imports.

Not included: Intermediate goods (such as tires that go on a new car), used goods (clothing, used cars), financial transactions (stocks, bonds), transfer payments (social security, unemployment benefits).

8. To help students understand this concept, print out the slips of paper from **Activity: GDP Cards** and pass them out randomly to students.
9. Have students get out of their seats and find another student who has a good related to their good (for example, coffee beans and cup of coffee). Allow time for each student to find their matching card. Let students decide if the good, service, or concept listed on their card would be counted in GDP. Have the pairs read their cards and explain their answer, as well as which category any item may belong in if it belongs in GDP. After all the pairs have correctly matched and explained their answers, students may return to their seats.
10. Allow students to brainstorm other related goods and services that are counted (or not counted) in GDP and related to their cards.
11. Ask students to identify some of their additional responses. (*Answers will vary*)

Conclusion

12. To assess or close the discussion, have students complete **Assessment: Components of GDP**.



Visual: Quote

“Yet the gross national product does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country, it measures everything in short, except that which makes life worthwhile. And it can tell us everything about America except why we are proud that we are Americans.”

—Robert F. Kennedy



Activity: GDP Cards

Poetry	Books of poetry
Health	X-ray machine at a public hospital
Marriages	Videography service for a wedding
Learning	Language learning app for a cellphone or tablet
Mayor's salary	Desk in mayor's office



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Devotion to country	US flag
Coffee beans	Tall vanilla latte
New home built this year	Sofa bought at a thrift store
Ticket to a theme park	Theme-park stock
Quality of education	Interactive whiteboards purchased by county school system



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Unemployment benefits	Haircut purchased prior to a job interview
Fighter jet sold to Canada	Passenger plane bought from Brazil
French fries at the Majestic Diner	Deep fryer purchased by local diner



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Assessment: Components of GDP

Which component of GDP do each of these fit into? If the good or service is not counted in GDP, put “NC” in the blank.

1. _____ A mechanic installs new tires on a truck.
2. _____ A business purchases software, PCs, and monitors.
3. _____ Chris purchases a vintage skateboard at a flea market.
4. _____ A local public elementary school buys new playground equipment.
5. _____ Sophia purchases flour to use in cakes sold in her bakery.
6. _____ A retailer purchases T-shirts from a manufacturer in Taiwan and sells them.
7. _____ A teenager purchases two T-shirts from the retailer.
8. _____ Asha purchases ten shares of Amazon stock.
9. Provide one or more examples of each of the following components of GDP:

Consumption _____

Investment _____

Government _____

Net exports _____

10. Explain why the sale of used goods is not included in GDP.