Two Economic Lenses

Compare what GDP and GNP reveal about production.

7.C.7.4 "Compare the economic measurements of productivity which inform nations of their economic health and growth (e.g., Gross Domestic Product and Gross National Product)."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline what GDP counts and circle what GNP counts. Put a star beside a sentence that explains why the two totals can differ.

Where Is the Value Counted?

1. Imagine Harborland has busy ports and workshops. Gross Domestic Product, or GDP, is the value of final goods and services produced within a nation's borders in a year. It includes output from foreign-owned businesses located there. Gross National Product, or GNP, measures production linked to the nation's residents, including income they earn from production abroad.

ECONOMIC TOTALS FOR ONE YEAR, IN BILLIONS OF DOLLARS

Country	GDP	GNP
Harborland	$200	$185
Ridgeway	$140	$160

2. The table shows two invented countries. Harborland's GDP is $200 billion, but its GNP is $185 billion. Foreign residents earn more from production in Harborland than Harborland residents earn from production abroad. Ridgeway shows the opposite pattern: its GNP exceeds its GDP because its residents earn more abroad than foreign residents earn there.

3. Comparing GDP and GNP helps leaders see where production occurs and whose residents receive its income. Ridgeway's GDP is $140 billion, and its GNP is $160 billion. Neither number alone shows whether most people are better off. Leaders also look at changes over time and output per person before judging an economy's growth or health.

2 ANSWER WITH EVIDENCE

Use the passage

1. How do GDP and GNP differ in what they count?

2. Which total is higher for Harborland, and what does the difference suggest about production income crossing its borders?

3. How does Ridgeway's comparison differ from Harborland's, and what does that suggest about Ridgeway's residents?

4. What can comparing GDP and GNP reveal that one total alone cannot? Why is the comparison still not enough to judge economic health?

3 YOUR TURN

Your own words

Imagine Seabright's foreign residents receive $12 billion from production inside Seabright next year, while Seabright residents receive $4 billion from production abroad. These are its only cross-border production incomes. Write three sentences explaining which measure would be higher, by how much, and what else you would check before judging Seabright's economic health.

ANSWER KEY

Two Economic Lenses

GRADE 7 · 7.C.7.4

PART 1 · READ AND MARK

Underline what GDP counts and circle what GNP counts. Put a star beside a sentence that explains why the two totals can differ. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How do GDP and GNP differ in what they count?	**GDP counts final goods and services produced within a nation's borders. GNP measures production linked to the nation's residents, including production income they earn abroad.**
2	Which total is higher for Harborland, and what does the difference suggest about production income crossing its borders?	**GDP is $15 billion higher. Foreign residents earn more from production in Harborland than Harborland residents earn from production abroad.**
3	How does Ridgeway's comparison differ from Harborland's, and what does that suggest about Ridgeway's residents?	**Ridgeway's GNP is $20 billion higher than its GDP, the opposite of Harborland's pattern. Its residents earn more from production abroad than foreign residents earn from production in Ridgeway.**
4	What can comparing GDP and GNP reveal that one total alone cannot? Why is the comparison still not enough to judge economic health?	**The comparison shows a difference between production within the borders and production income linked to residents. It does not show whether most people are better off, so leaders also examine changes over time and output per person.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Seabright's GDP would be $8 billion higher than its GNP. Foreign residents receive $12 billion from production inside Seabright, while Seabright residents receive only $4 billion from production abroad. I would also check output per person before deciding whether the economy is healthier.

Accept equivalent explanations that distinguish production within borders from production income linked to residents. For Part 3, the GDP–GNP gap must be $8 billion, and the additional evidence must help assess economic health.