Beyond the Price Tag

Compare economic output across time and countries

E.C.9.1 "Examine the differences between the nominal and the real GDP (Gross Domestic Product) and explain how GDP and GNP (Gross National Product) are used to describe economic output over time by comparing the GDP of various nations..."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline how nominal and real GDP differ, circle the statements that distinguish GDP from GNP, and number the countries in the table from highest to lowest 2024 real GDP.

What Does GDP Growth Show?

1. A phone maker sells more phones this year, but prices also rise. Nominal GDP counts the current-dollar value of final goods and services produced inside a country in a year. Real GDP adjusts that value for price changes, using a base year's prices. Comparing real GDP across years helps show whether output grew rather than just prices.

2. The table uses invented, simplified values for three countries, in trillions of dollars. The United States is relatively market-oriented, Germany has a mixed economy, and Cuba is relatively command-oriented. Every economy blends markets and government decisions. For each country, compare 2020 GDP with 2024 real GDP to assess output growth; 2024 nominal GDP alone cannot do that.

HYPOTHETICAL GDP, TRILLIONS OF DOLLARS; REAL GDP USES 2020 PRICES

Country	2020 GDP (nominal and real)	2024 nominal GDP	2024 real GDP
United States	20.0	28.0	22.0
Germany	4.0	5.0	4.4
Cuba	0.100	0.140	0.105

3. GDP tracks output within borders, no matter who produces it. GNP tracks the value of final output produced by a country's residents, wherever they produce it. To calculate GNP from GDP, add net income from abroad: residents' income from production abroad minus nonresidents' income from production at home. GDP compares domestic output; GNP highlights residents' worldwide production.

2 ANSWER WITH EVIDENCE

Use the passage

1. The United States' 2024 nominal GDP is 28.0, but its real GDP is 22.0. Which 2024 value should you compare with 2020 GDP to judge output growth, and why?

2. Between 2020 and 2024, did Germany or Cuba have the larger percentage increase in real GDP? Use the table to support your answer.

3. A German resident produces a final service abroad, while a nonresident produces one inside Germany. Which service counts toward Germany's GDP, and which counts toward its GNP?

4. Compare the three countries' 2024 real GDP values. Why do these figures not prove that an economic system alone caused their differences?

3 YOUR TURN

Your own words

Choose one country in the table and invent its 2025 nominal and real GDP, with real GDP measured in 2020 dollars. Write three sentences that compare your 2025 real figure with its 2024 real GDP, explain why nominal GDP alone cannot prove output changed, and predict whether GNP would exceed or fall below GDP under a net-income-from-abroad assumption you state.

ANSWER KEY

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PART 1 · READ AND MARK

Underline how nominal and real GDP differ, circle the statements that distinguish GDP from GNP, and number the countries in the table from highest to lowest 2024 real GDP. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	The United States' 2024 nominal GDP is 28.0, but its real GDP is 22.0. Which 2024 value should you compare with 2020 GDP to judge output growth, and why?	**Compare 22.0 with 20.0. Real GDP adjusts for price changes, so it better shows growth in output.**
2	Between 2020 and 2024, did Germany or Cuba have the larger percentage increase in real GDP? Use the table to support your answer.	**Germany: (4.4 − 4.0) ÷ 4.0 = 10%, compared with Cuba's (0.105 − 0.100) ÷ 0.100 = 5%.**
3	A German resident produces a final service abroad, while a nonresident produces one inside Germany. Which service counts toward Germany's GDP, and which counts toward its GNP?	**The service produced inside Germany counts toward its GDP. The service produced abroad by the German resident counts toward its GNP.**
4	Compare the three countries' 2024 real GDP values. Why do these figures not prove that an economic system alone caused their differences?	**The United States has the highest value (22.0), followed by Germany (4.4) and Cuba (0.105). The figures show output totals, not what caused them, and every economy blends markets and government decisions.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

For Germany, I imagine 2025 nominal GDP of $5.4 trillion and real GDP of $4.6 trillion in 2020 dollars. Real output is higher than its $4.4 trillion 2024 level, while the nominal figure alone cannot show this because prices may have changed. If Germany has positive net income from abroad in 2025, its GNP exceeds its GDP.

Accept invented figures that allow a correct comparison with the chosen country's 2024 real GDP. The GNP prediction must match the stated sign of net income from abroad.