

NAME: _____

DATE: 01/18A-19B/2018

ASSIGNMENT: Circular Flow and GDP

DIRECTIONS: Circular flow describes the flow of goods, services, income, taxes, and factors of production to households, businesses, and the government.

$Y \text{ (GDP)} = C \text{ (Personal Consumption)} + I \text{ (Business Investment)} + G \text{ (Government Spending)} + X \text{ (Net Exports)}$

1.) Why must we use net exports instead of only exports in the GDP calculation?

2.) Bekah earns \$60 for her Friday night shift at Chipotle.

- i) Sketch a circular flow diagram and label all components.**
- ii) Write the \$60 in the correct place within the circular flow diagram.**
- iii) If Bekah chooses to save all of her paycheck, explain whether the \$60 will be counted in the calculation of GDP.**
