

## Glossary

### Chapter 6

|   |   |
|---|---|
| <b>consumption</b>                        | purchases of consumer goods and services by households (p. 127)   |
| <b>disposable income</b>                  | the personal income available after taxes (p. 132)  |
| <b>double counting</b>                    | adding the value of a good or service twice by mistakenly counting intermediate goods and services in GDP time (p. 125)                         |
| <b>durable goods</b>                      | longer-lived consumer goods, such as automobiles (p. 128)   |
| <b>expenditure approach</b>               | calculation of GDP by adding up how much market participants spend on final goods and services over a period of time (p. 127)                   |
| <b>factor payments</b>                    | wages (salaries), rent, interest payments, and profits paid to the owners of productive resources (p. 131)                                      |
| <b>fixed investments</b>                  | all new spending on capital goods by producers (p. 128)   |
| <b>GDP deflator</b>                       | a price index that helps to measure the average price level of all final goods and services produced in the economy (p. 133)                    |
| <b>gross domestic product (GDP)</b>       | the measure of economic performance based on the value of all final goods and services produced in a country in a given period of time (p. 125) |
| <b>income approach</b>                    | calculation of GDP based on the summation of incomes received by the owners of resources used in the production of goods and services (p. 131)  |
| <b>inventory investment</b>               | all purchases by businesses that add to the stocks of goods kept by the firm to meet consumer demand (p. 128)                                   |
| <b>investment</b>                         | the creation of capital goods to augment future production (p. 128)   |
| <b>national income accounting</b>         | a uniform means of measuring economic performance (p. 124)  |
| <b>net domestic income at factor cost</b> | a measure of income earned by the owners of factors of production (p. 131)  |
| <b>nondurable goods</b>                   | tangible consumer items that are typically consumed in a relatively short period of time, such as food (p. 128)                                 |
| <b>personal income</b>                    | the amount of income received by households before taxes (p. 132)   |
| <b>producer goods</b>                     | capital goods that increase future production capabilities (p. 128)   |

**real gross  
domestic  
product per  
capita**

real output of goods and services per person (p. 135)

**services**

intangible items of value provided to consumers, such as haircuts (p. 128)