

GDP Intro

National Income Accounting

Gross Domestic Product (GDP): the market value of final goods and services produced in a country in a year

$$GDP = \text{output} = \text{income}$$

$$\$500 \times 1,000 = \$500,000$$

Two ways to increase income (GDP):

1. Produce more output
2. Produce a more valuable output

Three Uses of GDP Data

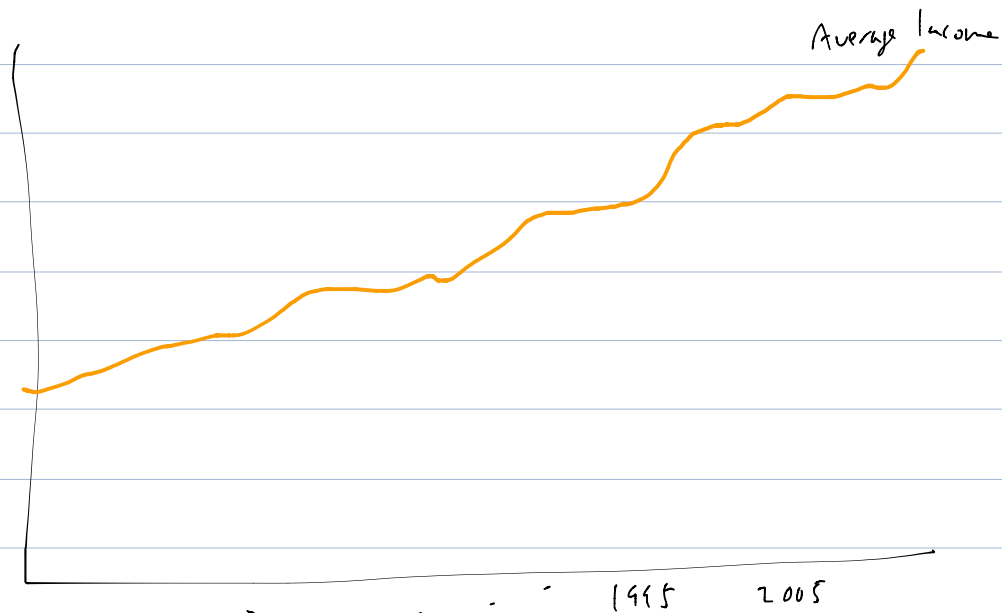
1. Living Standards

Country	2013 GDP (mil)	$\frac{GDP}{\text{population}}$ Per Capita GDP
1 U.S.	\$16,768,100	\$53,042
2 China	9,240,270	6,807
3 Japan	4,919,563	38,634
4 Germany	3,730,261	46,269
5 France	2,806,428	42,503
6 U.K.	2,678,453	41,787
7 Brazil	2,243,673	11,208
8 Italy	2,149,485	35,926
9 Russia	2,096,777	18,783
10 India	1,876,797	:/
11 Canada	1,826,769	:

2. Economic Growth

→ changes in living standards

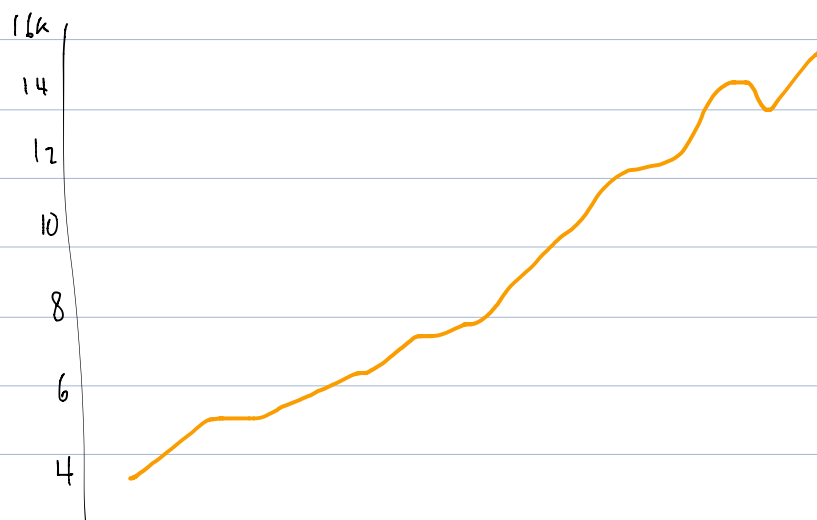
US Per Capita GDP (adj. infl.)
1965 2013



3. Business Cycles

→ expansions & contractions

US Real GDP (5-13 (bil \$))





the **market value** of final goods and services produced in a country in a year

1. Market values

$$\text{Market Value} = \text{Quantity} \times \text{Price}$$

	Quantity		Price		Market Value
Corn	12 billion	x	\$ 5	=	\$ 60 billion
Cars	8 million	x	\$ 30,000	=	\$ 240 billion
					<u>\$ 300 billion</u>

the market value of final goods and **services** produced in a country in a year

2. Services

Services: Output that provides benefits without a tangible product

the market value of **final goods and services** produced in a country in a year

3. Final Goods and services

Intermediate goods: Goods that firms use package a bundle with other goods for sale at a later stage

Final goods: Goods sold to final users

the market value of final goods and services **produced** in a country in a year

4. Produced

Used goods not counted

Financial assets not counted

Stock broke \$10,000, ^{Service} 5% GDP
Collision

C. \$500

4 Pieces of GDP

1. Consumption C 70%~

Private Spending on goods and services not intended for use in future production

ex: ^{non-durable} pizza, ^{durable} washing machine, scooter

2. Investment I 16-17%~

Private spending on tools, plant, and equipment used to produce future output

ex: ^{\$30} shovel, ^{\$500,000} tractor-trailer

3. Government Spending G

Spending by all levels of government on final goods and services

ex: planes, govt jobs

4. Net Exports NX

Exports - Imports

ex: Jeep Toyota