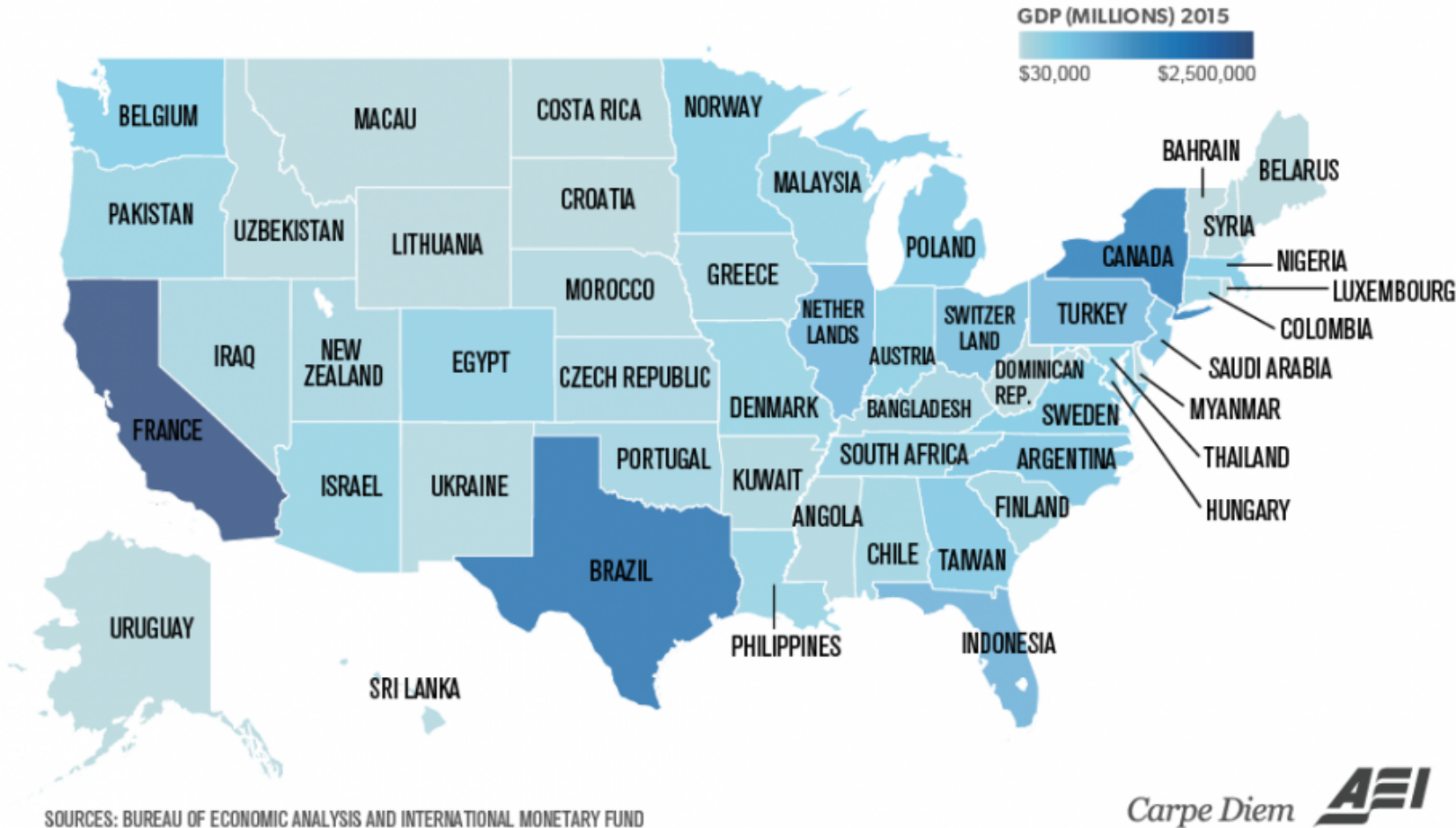


Lecture 4:

GDP 1

US States Renamed for Countries with Similar GDPs, 2015



GDP Intro

Uses of GDP data

Defining GDP

- Market Values
- Goods and Services
- Final G & S
- Produced

Four Pieces of GDP

National Income Accounting

Gross domestic product (GDP): The market value of final goods and services produced in a country in a year.

GDP = output

Two ways to increase income (GDP):

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

Three Uses of GDP Data

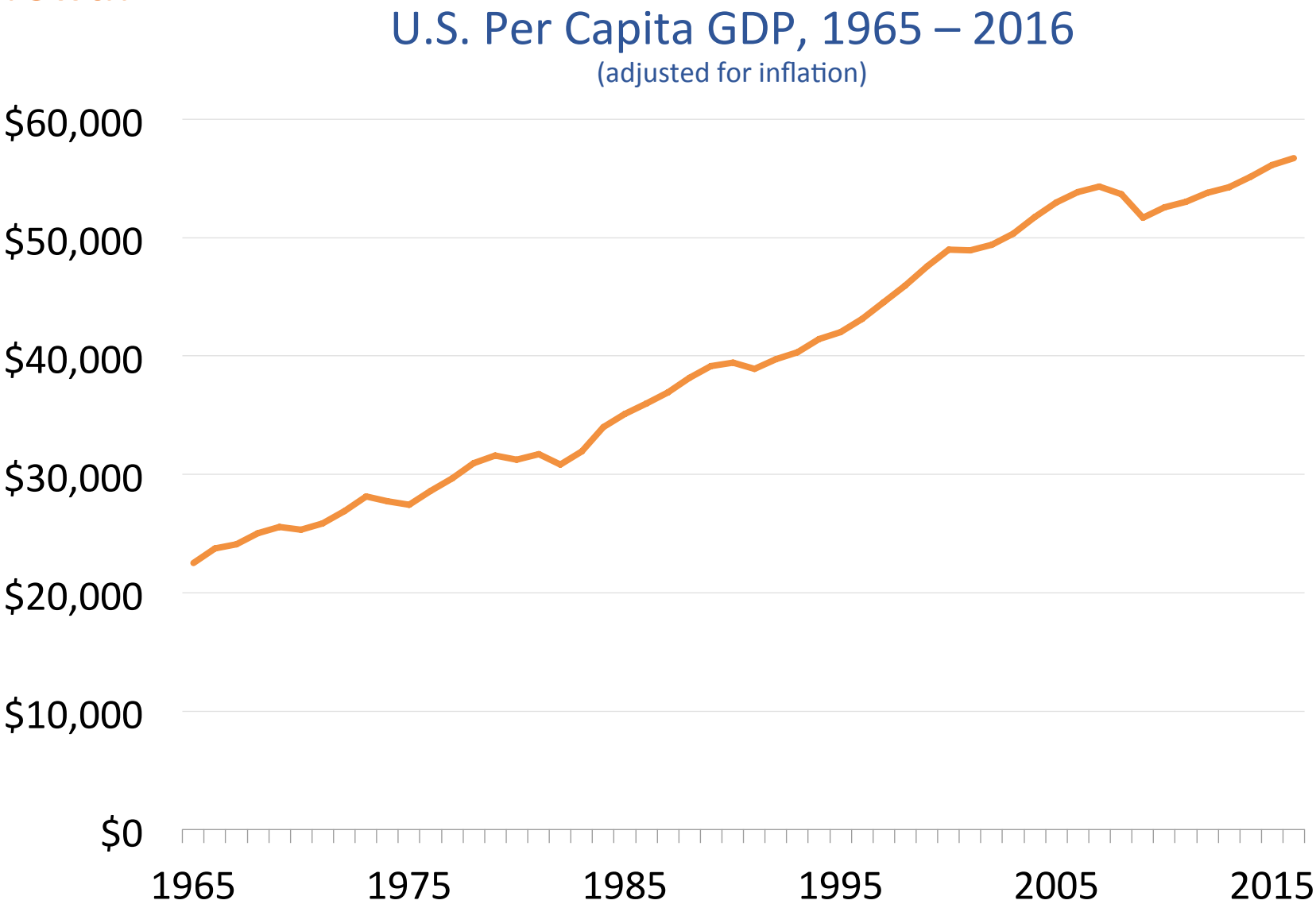
1. Living Standards

Country	2015 GDP (millions of dollars)	Per Capita GDP (dollars)
1 United States	\$18,036,648	\$56,116
2 China	11,007,721	8,028
3 Japan	4,123,258	32,477
4 Germany	3,363,447	41,313
5 United Kingdom	2,858,003	43,876
6 France	2,418,836	36,205
7 India	2,095,398	1,598
8 Italy	1,821,497	29,958
9 Brazil	1,774,725	11,384
10 Canada	1,550,537	43,249
11 Russia	1,331,208	9,093

Source: [World Bank](#).

Three Uses of GDP Data

2. Economic Growth



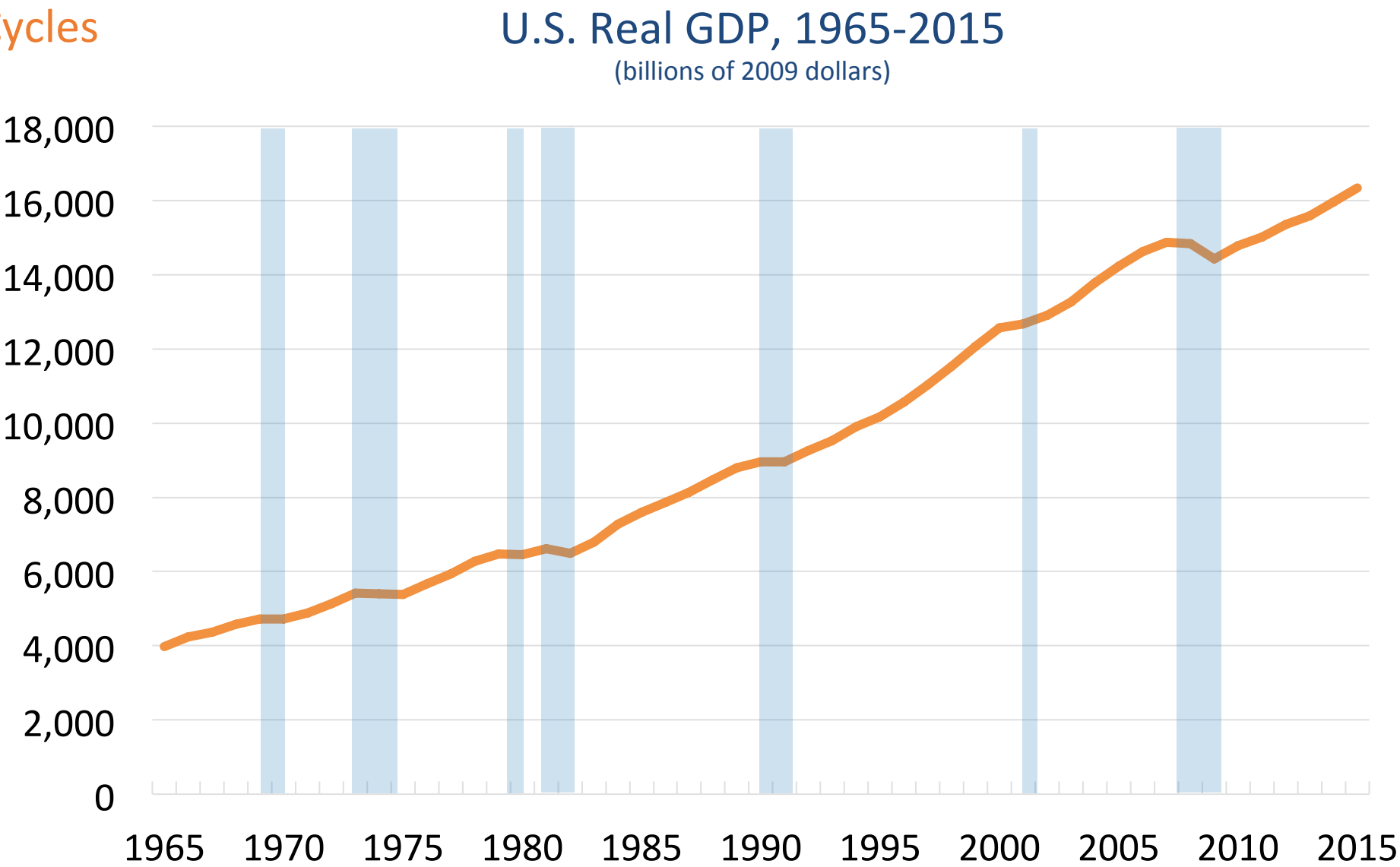
Source: [BEA](#), [Census Bureau](#)

Three Uses of GDP Data

2. Economic Growth

Data Resource: 

3. Business Cycles



Source: [BEA](#).



GDP Definition

GDP is the market value of final goods and services produced in a country in a year.

GDP Definition

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

Market Value = Quantity x Price

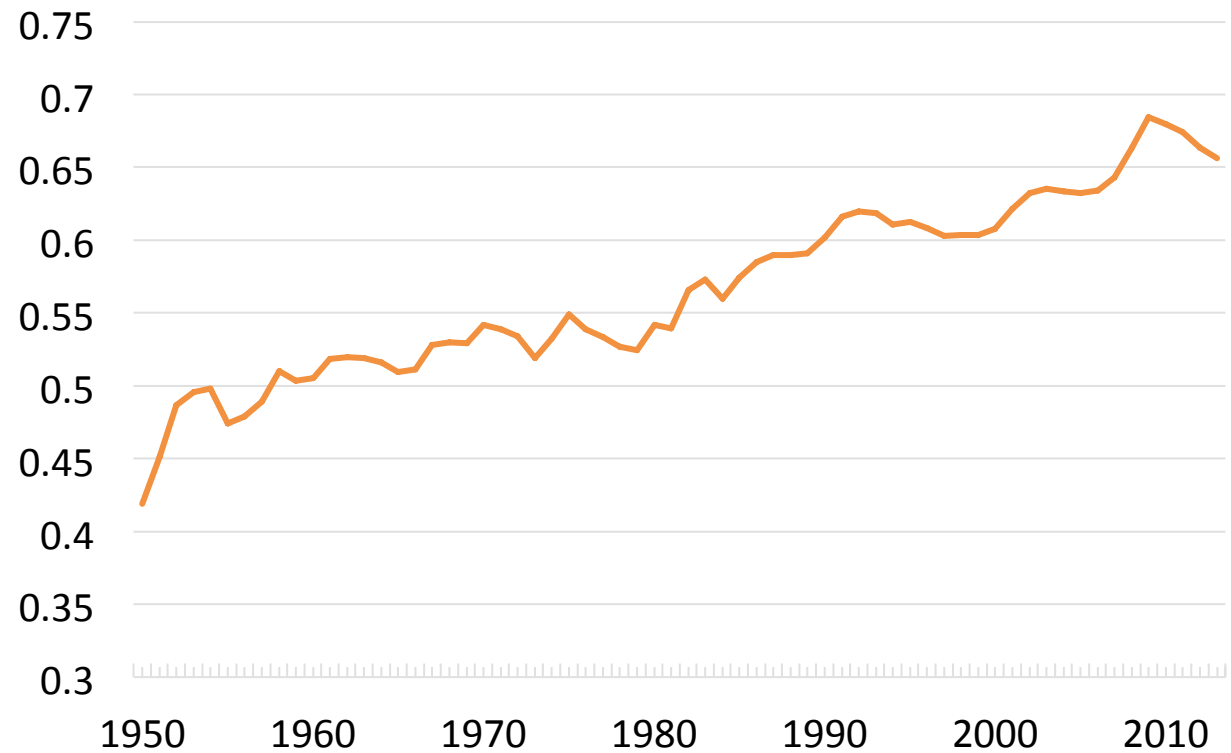
	Quantity	Price	Market Value
	260 million lbs.	\$2	\$520 million
	10 billion lbs	30¢	\$3 billion
			<hr/> \$3.52 billion

GDP Definition

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

Services: Output that provides benefits without a tangible product.

Service Output as a Share of Total U.S. GDP
1950 - 2014



Source: [BEA](#).

GDP Definition

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

Intermediate goods: Goods that firms repackage or bundle with other goods for sale at a later stage.

Final goods: Goods sold to final users.



\$100



\$1,500

GDP Definition

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

Used goods not counted.

Financial assets not counted.

Four Pieces of GDP

$$\text{GDP} = Y$$

$$Y = C + I + G + NX$$

$\approx 70\%$

1. Consumption C

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



I

capital goods

2. Investment

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

- includes inventory



G

≈ 18%

3. Government Spending

Spending by all levels of government on final goods and services.








Nx

4. Net Exports

Exports - Imports



Four Pieces of GDP

	2016 (billions of \$)	Percent of Total GDP
 Consumption	<u>12.8 trillion</u>	<u>69%</u>
 Investment	<u>3 trillion</u>	<u>16%</u>
 Government	<u>3.3 trillion</u>	<u>18%</u>
  Net Exports	<u>- 1/2 trillion</u>	<u>-3%</u>
<u>\$18.6 trillion</u>		

CQ Which of the following is an example of investment (in the macroeconomic sense)?

A. You purchase a computer for tweeting and gaming.

B. You buy shares of stock in Facebook.

C. The Facebook corporation purchases a computer for use at the corporate headquarters.

D. You deposit \$200 into a bank account.