## Businesses report purchases made by Consumers, Firms, the Government and Other Countries. These values include both imported and domestic goods. If we were to use the formula to calculate GDP as:

GDP = C + I + G + X

# Expenditures Approach

# GDP = C + I + G + X - M

#### We would be including imported goods (foreign production), which we do not want: We must subtract purchases of foreign goods and services:

#### When we calculate GDP, we want the total value of goods and services produced in the U.S.

## Expenditures Approach

When we calculate GDP, we want the total value of goods and services produced in the U.S.

Businesses report purchases made by Consumers, Firms, the Government and Other Countries. These values include both imported and domestic goods. If we were to use the formula to calculate GDP as:

$$GDP = C + I + G + X$$

We would be including imported goods (foreign production), which we do not want: We must subtract purchases of foreign goods and services:

$$GDP = C + I + G + X - M$$

GDP = Production of new goods and services