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Expenditures Approach

We would be including imported goods (foreign production)

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Because the Government collects data on the total amount of
imported goods, we can subtract all Imports:

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[REDACTED]









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$$\text{GDP} = C_D^M + I_D^M + G_D^M + X$$

$$\text{GDP} = C_D^M + I_D^M + G_D^M + X$$

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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. **BUT** these values **include both imported** and **domestic** goods. If we were to calculate GDP as:

$$\text{GDP} = \text{C} + \text{I} + \text{G} + \text{X}$$

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. **BUT** these values **include both imported** and **domestic** goods. If we were to calculate GDP as:

$$GDP = C_D^M + I_D^M + G_D^M + X$$

We would be including **imported** goods (**foreign** production)
Because the Government collects data on the total amount of **imported** goods, we can subtract all Imports:

$$GDP = C_D^M + I_D^M + G_D^M + X - M$$

GDP includes Purchases of new final goods purchased by