



Unit 6, Lesson 33

Visual 1

GROSS DOMESTIC PRODUCT (GDP):

- The market value of all final goods and services produced in a country in a year.
- Final goods and services have been purchased for final use. They are not for resale or further manufacture.
- Economists often measure GDP by totaling the money spent on four major categories of goods and services:

Consumption (C): Spending by households on goods and services. Includes spending on things such as cars, food, and visits to the dentist. Makes up two-thirds of GDP spending.

Investment (I): Spending by businesses on machinery, factories, equipment, tools, and construction of new buildings.

Government (G): Spending by all levels of government on goods and services. Includes spending on the military, schools, and highways.

Net Exports (X - M): Spending by people abroad on U.S. goods and services (exports, or X) minus spending by people in the U.S. on foreign goods and services (imports, or M).

EXAMPLE:

In 2000, in trillions of U.S. dollars, third-quarter GDP estimates were:

$$\begin{aligned} \text{GDP} &= C + I + G + (X - M) \\ \$10.04 &= \$6.81 + \$1.87 + \$1.75 + (\$1.13 - \$1.52)^* \end{aligned}$$

* Source: *Economic Report of the President, 2001, page 274.*