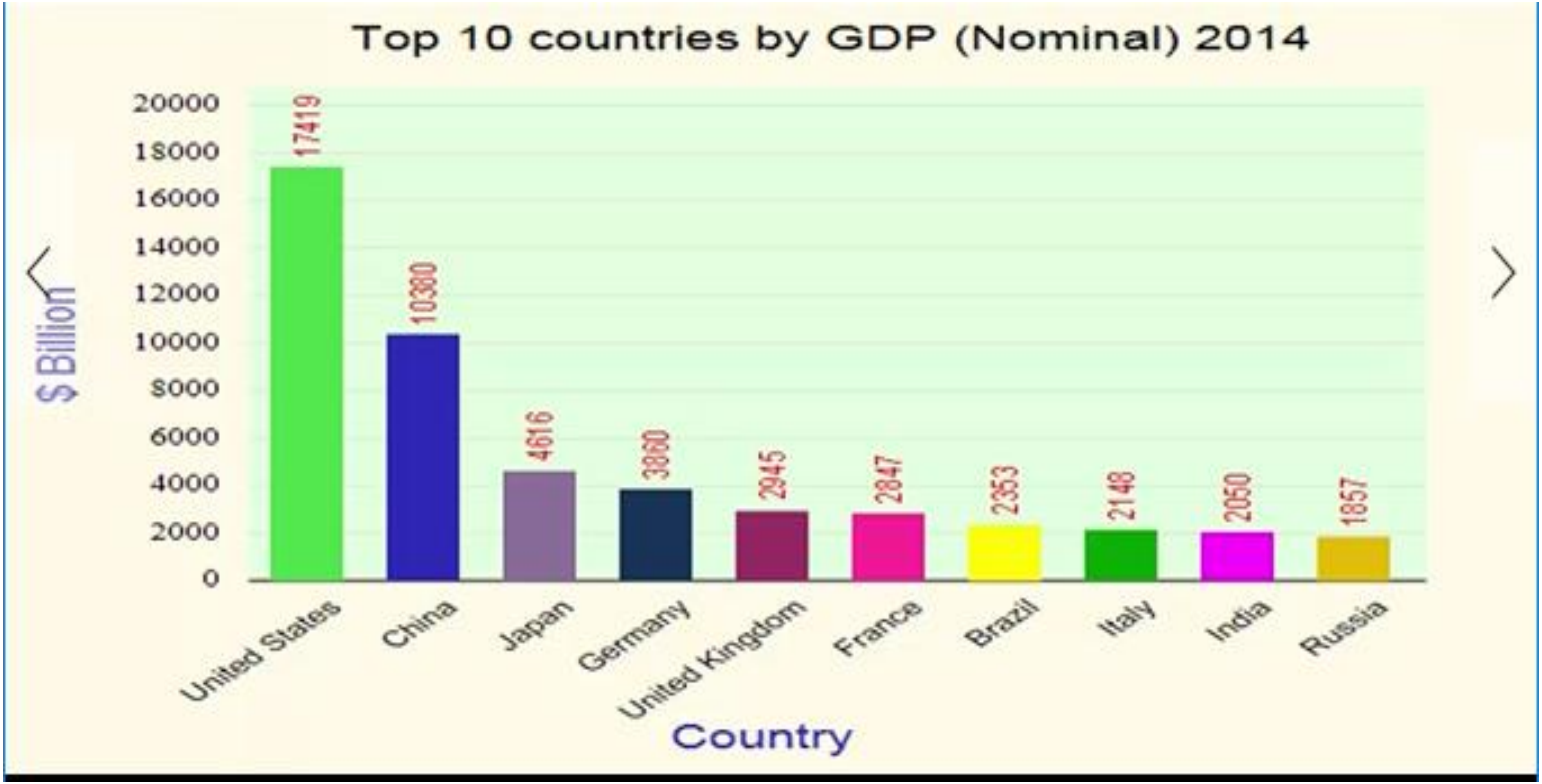
- Analyze GDP and explain how it applies to consumers.

GDP

- Gross- Total sum
- Domestic- Within the US
- Product- End result
- GDP= total dollar value of all final goods and services produced in a nation in a single year?
- There are several ways to measure an economics system's performance GDP is the most used.
- Always reported in dollars. For example the GDP for the USA in 2014 was $18 Trillion.


Top 10 countries by GDP (Nominal) 2014
$ Billion
20000
18000
16000
14000
12000
10000
8000
6000
4000
2000
0
17419
10380
4616
3860
2945
2847
2353
2148
2050
1857
United States
China
Japan
Germany
United Kingdom
France
Brazil
Italy
India
Russia
Country


60,000.0
50,000.0
40,000.0
30,000.0
20,000.0
10,000.0
0.0
1929
1934
1939
1944
1949
1954
1959
1964
1969
1974
1979
1984
1989
1994
1999
2004
2009

- FINAL- must be specific about what is being measured, economists only add up the value in money of final goods and services to avoid double counting.
  - Example an IPhone 7 is made up of glass and plastic and memory cards, etc. but only the final price of the IPhone 7 is counted toward GDP
- Only new goods and services produced count toward GDP
  - Selling your IPhone 6 to your friend is not counted toward GDP because it was already been counted.

GDP

- How is GDP calculated?

$$GDP = \underbrace{C}_{\text{consumption}} + \underbrace{I}_{\text{investment}} + \underbrace{G}_{\text{government expenditure}} + \underbrace{(\overbrace{X}^{\text{exports}} - \overbrace{M}^{\text{imports}})}_{\text{net exports}}$$

GDP=C+I+G+(X-M)

- Consumption (C)- This is the single most powerful component of GDP consumer spending is 65% of GDP.
- Consumer spending- the measure of all spending a nations consumers make on FINAL goods and services during the year.
- Basically everything you spend money on as long as its new and from America.

- Investment (I)- not to be confused with the purchase of socks and bonds but rather money spend by business to acquire goods and services to help or maintain the business, AKA factors of production 15% of GDP
- Wages (labor) is not counted as business investments that money is already counted under the “C” because that is what consumers are spending to buy stuff

- Government spending (G) amount of money that the government spends 20% of GDP
- Social security, Medicare, welfare programs are not counted because nothing new is produced just transferred.

- Net exports (X) exports –imports 0%
- Exports- total value of all products sold internationally. Counted because Americans are not buying them.
- Imports- total value of all products produced internationally but sold in America must be subtracted out.
- Total exports minus total imports
- Because USA imports so many goods the results of the equation is often close to zero or even negative because we important more than we export.