GDP= the value of output produced within a county over a 12 month period in terms of the prices actually paid. GDP=GVA+ taxes on products−subsidies on products

3 routes of measuring GDP;

1) **Product method**: add up the value of all the goods and services produced in the country. A focus on firms and add up all their production. Also known as the product method

GVA or Gross added value at basic prices is the sum of all values added by all industries in the economy over a year. The figures exclude tax on products and include subsidies on products.

**How we get GVA to GDP**: the answer has to do with taxes and subsidies on products. Taxes paid on goods and services and any subsidies on products are excluded from GVA as they are not part of the value added in production. GDP at market process = GVA + taxes on products − subsidies on products

2) **The income method**: a focus on the incomes generated from the production of goods and services.

This must be the same as the sum of all values added at each stage of production. Value added = the difference between a firm's revenue from sales and the costs of its purchases from other firms.

Difference = wages, salaries, rents, interest and profit.

GVA is the sum of all values added and is also the sum of all incomes generated. Transfer payments such as social security are NOT included as they are not payments for the production of goods and services.

Part of peoples gross income is paid in income taxes− since it is this gross income that arises from the production of goods and services we count wages, profits, interest and rent before the deduction of income taxes.

When we work out GVA with this method− we measure incomes before the payment of taxes on products, since it is these pre-tax and subsidy incomes that arise from the value added by production.

GDP− add in these taxes to arrive at a market value

3) **The expenditure method**: adding up all expenditure on final output (pg 592)

\[
\text{GDP} = C + G + I + X + M
\]

C= Consumer expenditure
G= Government expenditure
I= Investment expenditure
X= exports of goods and services
M= imports of goods and services