Spending, Income, and GDP

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Gross Domestic Product: Measuring the Nation's Output

- US publishes GDP, the rate of inflation, and the rate of unemployment
- GDP: the market value of the final goods and services produced in a country during a given period
- Market Value: the selling prices of goods and services in the open market
- To aggregate the quantities of many goods and services, economists add up the market value of different goods and services in the open market
    - Ex. Apples + Bananas + Shoes
    - (4 apples x $0.25/apple) + (6 bananas x $0.50/banana) + (3 pairs of shoes x $20.00/pair) = $64
- Not all economically valuable goods and services are bought and sold in markets
    - Ex. Unpaid work of a homemaker is of economic value but is not sold in markets and isn't counted in GDP
    - There are some goods and services (like those provided by the government) that are not sold in the open market but are included in the GDP
        - Economic statisticians add to the GDP the costs of providing those goods and services as rough measures of their economic value
- Final Goods or Services: goods or services consumed by the ultimate user; because they are the end products of the production process, they are counted as part of GDP
    - Ex. of grain, flour, and bread, bread is the final good because it is the only one used by consumers
- Intermediate Goods or Services: goods or services used up in the production of final goods and services; not counted as part of GDP
    - Ex. the grain and flour
- Capital Good: a long-lived good that is used in the production of other goods and services
    - Difficult to classify as intermediate or final
    - Ex. factories, machines, houses
    - For purposes of measuring GDP, economists classify newly produced capital