

Government spending does not include transfers

We are trying to measure production of goods and services so we don't include transfer payments

We don't include used goods which are not produced this year. (no effect on GDP because no new items were created).

A used car salesman's income does count however, because they are providing a brokerage service

If you refurbish something then the value added adds to the GDP

Don't include the production of housewives and househusbands because this output is not sold on markets and its value would be an estimate that would swamp GDP.

They didn't include it because this inaccurate guess would muddy up the very accurate rest of GDP

Do not include the purchases of stocks and bonds because they are assets, not a good or service.

Incomes approach

The income payments to the factors of production (Land, Labor, and Capital) needed to produce the output will equal the value of the output

$\text{Wages} + \text{rent} + \text{interest} + \text{profit} = \text{GDP}$

Why?

The Value added that the firm gets then must be doled out to incomes and rent and the rest is profit etc.

(We ignore the sales taxes in this)

GDP can be calculated as

1. Final goods
2. Value added
3. Expenditures $C + I + G + NX = \text{GDP}$
4. Income $W + R + I + P = \text{GDP}$