GDP = Gross Domestic Product

- measure of the output of a nation
- can be measured according to two methods: Expenditure Approach and Income Approach

Expenditure Approach measures output by how much is consumed (spent)

- $C + I_G + G + X_N$

C = Consumption Expenditures (the amount of money spent by households on goods and services)
I_G = Gross Private Domestic Investment (all final purchases of machinery, equipment, and tools by businesses; all construction; changes in inventories)
G = Government Purchases
X_N = Net Exports (Exports – Imports)

We can use GDP to determine other important national accounts that are used for statistical analysis.

Below is the method of *deconstructing* GDP in order to arrive at various other important statistics. (“Breaking Down” Method)

	GDP
-	depreciation
=	NDP (Net Domestic Product)
-	net foreign investment
-	indirect business taxes
=	NI (National Income)
+	transfer payments
-	social security contributions
-	undistributed corporate profits
-	corporate income tax
=	PI (Personal Income)
-	personal taxes
=	DI (Disposable Income)

Below is the method of *constructing* each of the various important statistics all the way up to GDP. (“Building Up” Method)

+	Compensation of Employees
+	Dividends
+	Proprietors’ Income
+	Interest
+	Rent
+	Transfer Payments
-	Personal Taxes
-	Social Security Contributions
=	DI (Disposable Income)
+	personal taxes
=	PI (Personal Income)
+	corporate income taxes
+	undistributed corporate profits
+	social security contributions
-	transfer payments
=	NI (National Income)
+	indirect business taxes
+	net foreign investment
=	NDP (National Domestic Product)
+	depreciation
=	GDP