Gross Domestic Product, GDP

Gross Domestic Product is a dollar value of new domestically produced final goods and services.

Two ways to mechanically construct GDP:

1) Expenditure approach = add up the $ value of all expenditures on new, domestically produced final goods and services.

\[ GDP = P_1Q_1 + P_2Q_2 + \ldots + P_nQ_n \]

where goods are 1…n = PQ

2) Income or value added approach = add up wages, salaries, rents, interests, profits, etc.