

GDP – Gross Domestic Product – What is it anyway?

The GDP is the total market value of ALL goods and services produced in a given year. Net exports, government expenditures, investment and consumption make up the GDP. Roughly 70% of the \$14.12 trillion GDP is the consumption portion (consumer spending).

The GDP is said to be a *circular flow* of expenditures by businesses and consumers. Government, businesses, and consumer expenditures end up with stores, vendors and other services. In turn, the recipients allocate the funds to rents, profits and wages... and the cycle begins again when the consumers spend funds. Things that affect the flow favorably, a tax reduction, increased exports and so on, causes the GDP to increase. Likewise, things that have a negative affect on the *flow*, increased taxes or spending on additional imports, cause the GDP to decrease.

So, generally speaking, prosperity is associated with a rising GDP.