

2.3: U.S. National Income Statistics (2007–2008)

Learning objective

1. Learn the recent values for U.S. GDP and the relative shares of its major components.

To have a solid understanding of the international economy, it is useful to know the absolute and relative sizes of some key macroeconomic variables like the gross domestic product (GDP). For example, it is worthwhile to know that the U.S. economy is the largest in the world because its annual GDP is about \$14 trillion, not \$14 million or \$14 billion. It can also be useful to know about how much of an economy's output each year is consumed, invested, or purchased by the government. Although knowing that the U.S. government expenditures in 2008 were about \$2.9 trillion is not so important, knowing that government expenditures made up about 20 percent of GDP can be useful to know.

Table 2.2.1 "U.S. Gross Domestic Product (in Billions of Dollars)" contains U.S. statistics for the national income and product accounts for the years 2007 and 2008. The table provides the numerical breakdown of GDP not only into its broad components (*C*, *I*, *G*, etc.) but also into their major subcategories. For example, consumption expenditures are broken into three main subcategories: durable goods, nondurable goods, and services. The left-hand column indicates which value corresponds to the variables used in the identity.

		2007	2008	2008 (Percentage of GDP)
GDP	Gross domestic product	13,807.5	14,280.7	100.0
<i>C</i>	Personal consumption expenditures	9,710.2	10,058.5	70.4
	Durable goods	1,082.8	1,022.8	7.2
	Nondurable goods	2,833.0	2,966.9	20.8
	Services	5,794.4	6,068.9	42.5
	Gross private domestic investment	2,134.0	2,004.1	14.0
<i>I</i>	Nonresidential	1,503.8	1,556.2	10.9
	Structures	480.3	556.3	3.9
	Equipment and software	1,023.5	999.9	7.0
	Residential	630.2	487.8	3.4
	Change in business inventories	−3.6	−39.9	−0.0
	Government consumption expenditures and gross investment	2,674.8	2,883.2	20.2
<i>G</i>	Federal	979.3	1,071.2	7.5
	National defense	662.2	734.3	5.1
	Nondefense	317.1	336.9	2.4
	State and local	1,695.5	1,812.1	12.6
<i>EX</i>	Exports	1,662.4	1,867.8	13.1

	2007		2008	2008 (Percentage of GDP)
<i>IM</i>	Goods	1,149.2	1,289.6	9.0
	Services	513.2	578.2	4.0
	Imports	2,370.2	2,533.0	17.7
	Goods	1,985.2	2,117.0	14.8
	Services	385.1	415.9	2.9

Figure 2.3.1: Table 2.2 U.S. Gross Domestic Product (in Billions of Dollars)

Source: Bureau of Economic Analysis, National Economic Accounts, Gross Domestic Product (GDP), at www.bea.gov/national/nipaweb/Index.asp.

There are a number of important things to recognize and remember about these numbers.

First, it is useful to know that U.S. GDP in 2008 was just over \$14 trillion (or \$14,000 billion). This is measured in 2008 prices and is referred to as nominal GDP. This number is useful to recall, first because it can be used in to judge relative country sizes if you happen to come across another country's GDP figure. The number will also be useful in comparison with U.S. GDP in the future. Thus if in 2020 you read that U.S. GDP is \$20 trillion, you'll be able to recall that back in 2008 it was just \$14 trillion. Also, note that between 2007 and 2008, the United States added over \$600 billion to GDP.

The next thing to note about the numbers is that consumption expenditures are the largest component of U.S. GDP, making up about 70 percent of output in 2008. That percentage is relatively constant over time, even as the economy moves between recessions and boom times (although it is up slightly from 68 percent in 1997). Notice also that services is the largest subcategory in consumption. This category includes health care, insurance, transportation, entertainment, and so on.

Gross private domestic investment, "investment" for short, accounted for just 14 percent of GDP in 2008. This figure is down from almost 17 percent just two years before and is reflective of the slide into the economic recession. As GDP began to fall at the end of 2008, prospects for future business opportunities also turned sour, and so investment spending also fell. As the recession continued into 2009, we can expect that number to fall even further the next year.

The investment component of GDP is often the target of considerable concern in the United States. Investment represents how much the country is adding to the capital stock. Since capital is an input into production, in general the more capital equipment available, the greater will be the national output. Thus investment spending is viewed as an indicator of future GDP growth. Perhaps the higher is investment, the faster the economy will grow in the future.

One concern about the U.S. investment level is that, as a percentage of GDP, it is lower than in many countries in Europe, especially in China and other Asian economies. In many European countries, it is above 20 percent of GDP. The investment figure is closer to 30 percent in Japan and over 35 percent in China. There was a fear among some observers, especially in the 1980s and early 1990s, that lower U.S. investment relative to the rest of the world would ultimately lead to slower growth. That this projection has not been borne out should indicate that higher investment is not sufficient by itself to assure higher growth.

Government expenditures on goods and services in the United States amounted to 20 percent of GDP in 2008. Due to the recession and the large government stimulus package in 2009, we can expect this number will rise considerably next year. Recall that this figure includes state, local, and federal spending but excludes transfer payments. When transfer payments are included, government spending plus transfers as a percentage of GDP exceeds 30 percent in the United States.

Two things are worth noting. First, the state and local spending is almost twice the level of federal spending. Second, most of the federal spending is on defense-related goods and services.

Exports in the United States accounted for 13 percent of GDP in 2008 (up from 10 percent in 2003) and are closing in on the \$2 trillion level. Imports into the United States are at \$2.5 trillion, amounting to almost 18 percent of GDP. In terms of the dollar value of trade, the United States is the largest importer and exporter of goods and services in the world. However, relative to many other countries, the United States trades less as a percentage of GDP.

Key Takeaways

- U.S. GDP stands at just over \$14 trillion per year in 2008.
- U.S. consumption is about 70 percent of GDP; investment, 14 percent; government expenditures, 20 percent; exports, 13 percent; and imports, about 18 percent.

Exercise

1. **Jeopardy Questions.** As in the popular television game show, you are given an answer to a question and you must respond with the question. For example, if the answer is “a tax on imports,” then the correct question is “What is a tariff?”
 - The approximate share of U.S. consumption as a share of U.S. GDP in 2008.
 - The approximate share of U.S. investment as a share of U.S. GDP in 2008.
 - The approximate share of U.S. government spending as a share of U.S. GDP in 2008.
 - The approximate share of U.S. exports of goods and services as a share of U.S. GDP in 2008.
 - The approximate share of U.S. imports of goods and services as a share of U.S. GDP in 2008.
 - This main category represents the largest share of GDP spending in the U.S. economy.

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