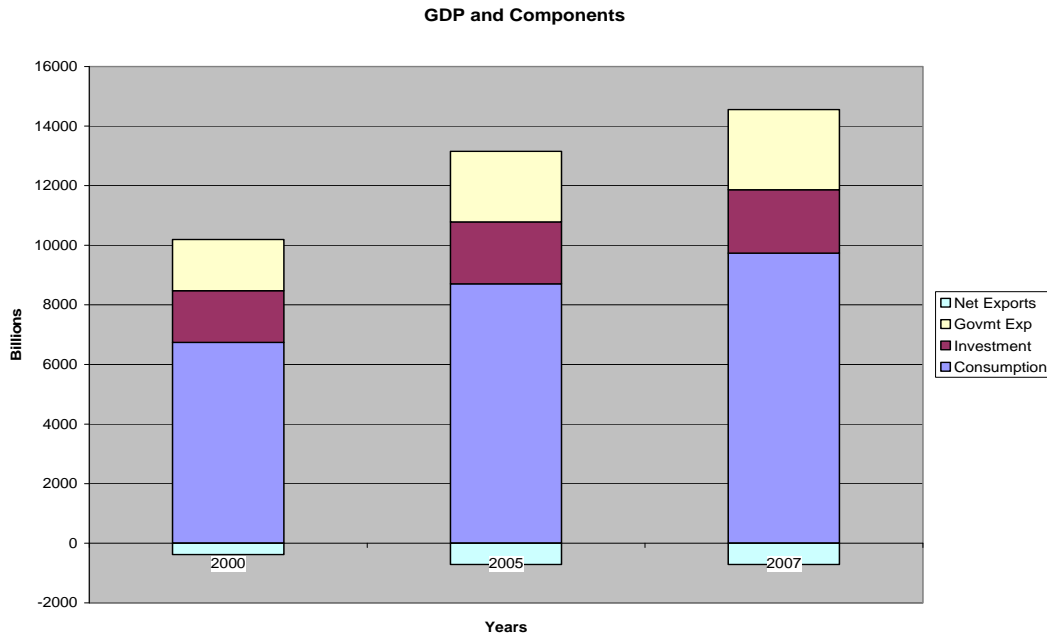


How Does the GDP Rising or Falling Affect Me?

Gross Domestic Output, GDP, measures the total final market value of all goods and services produced in a given year in the United States. A number of components make up the GDP: Consumption, Investment, Government Expenditures, and Net Exports. Total GDP was in the neighborhood of \$14 Trillion in 2007.



Factors that cause the GDP to increase include rising consumer confidence, productivity improvements, increased business investment, increased exports, falling interest rates, and rising consumer and government expenditures. Factors that cause the GDP to decrease include declining consumer confidence, rising imports, declining exports, lower consumer spending, a poor investment outlook, and rising interest rates.

The GDP is a circular flow of expenditures by businesses and consumers. Consumer, government, and business expenditures wind up with stores, vendors, and other recipients. These recipients in turn allocate the money to wages, rents, and profits, and the money flows back to the consumers—who then spend it again. This is why the GDP is frequently termed a circular flow. Anything that increases the circular flow—such as tax rebate check, additional exports, or additional government spending—causes the GDP to increase. Anything that takes money out of the circular flow—such as taxes or spending on additional imports—causes the GDP to decrease.

In general, prosperity is associated with rising GDP, with recession being associated with falling GDP. Sometimes the GDP just remains constant or grows very slightly. This is not a recession but sometimes is called a Growth Recession.