Components of GDP: C+I+G+X-M

By now you should know how to open the file HW What is GDP wfl in Eviews. Open it up again, and confirm that it includes GDP and the components of GDP: C+I+G+X-M

GDP = Total value of goods and services produced in the United States, seasonally adjusted at annual rates, billions of dollars

GDP_PRICE = Price index indicating the overall level of prices in the economy, normalized to set the value in 1987 equal to 100. Thus, for example, the value of GDP_PRICE in the first quarter of 1994 is equal to 125. This means that prices were 25% higher in 1994 compared with 1987.

CONS = Value of Expenditures on Consumption

INVEST = Value of Expenditures on Investment

GOV = Value of Government Purchases of Goods and Services

EXPORTS = Value of Exports of Goods and Services

IMPORTS = Value of Imports of Goods and Services

Make a stacked line graph

Use the show command to view the major components of GDP:

show gov cons invest exports-imports

Choose the view command and pick graph. Double click on the graph and select the stacked line option. You should be looking at something that looks like:

Now use these data, making new graphs and/or defining more variables to answer the following questions:

1. What has been happening to the share of government in GDP? Explain why this is happening, if you can.

2. How important are imports and exports in the US economy? Be sure to define “important” when you answer this question.

3. Which of the components of GDP are most volatile? Be sure to define volatility. Compute numerical measures of the volatility of the components of GDP.

4. Has US GDP become more volatile, less volatile or stayed about the same over time? Make a graph that supports your view.