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

By now you should know how to open the file **HW What is GDP wf1** in Eviews.   Open it up again, and confirm that it includes GDP and the components of GDP: C+I+G+X-M

GDP =	Total <u>value</u> of goods and services produced in the United States, <u>seasonally adjusted at</u> 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 Invesment
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

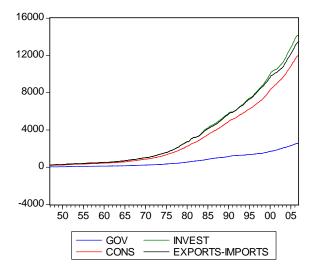## *Make a stacked line graph*

Use the show command to view the major compents 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.**