

2. National Income and National Product (Supplement)

EE 212

Read: Case & Fair, ch. 6; LCR, ch.3, 22

2015



- Only value of final sale is counted.
- We do not count auto parts in a new car.
- Auto parts in a new car are intermediate goods.



- The tires that come with the car is not counted as a final good.
- However if you get a flat and buy the same tire it is counted as a final good.
- This is confusing. We use “Value Added Approach” to avoid double counting.



- Final goods include both consumption goods and capital goods.



- The equipments used in producing a car are not included in the value of a car as an intermediate goods.
- Newly produced equipments are counted in GDP as final goods.