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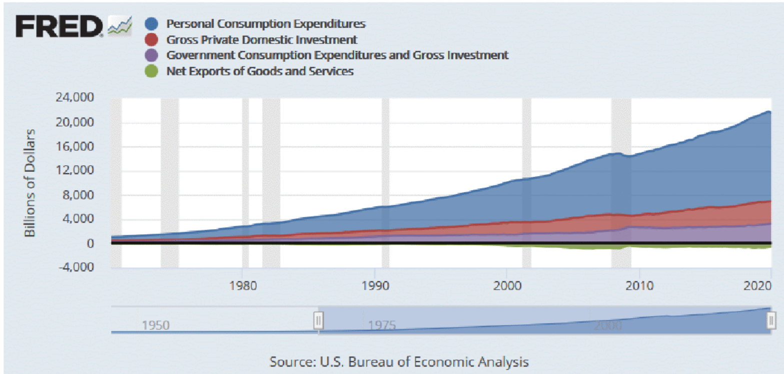

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The typical textbook treatment of GDP is the expenditure approach, where spending is categorized into the following buckets: personal consumption expenditures (C); gross private investment (I); government purchases (G); and net exports (X – M), composed of exports (X) and imports (M). Textbooks often capture this in one relatively simple equation:

GDP = C + I + G + (X – M).

Notice that, here, imports (M) are subtracted. On the surface, this implies that an extra dollar of spending on imports (M) will decrease GDP by one dollar. For example, let's assume you spend

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