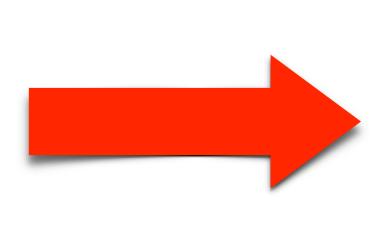
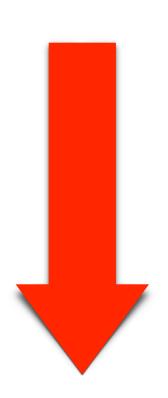
We must eliminate the distortion caused by changing prices

Pretend prices did not change

Real GDP







We must use prices

We must eliminate the distortion caused by changing prices

Pretend prices did not change



To calculate Real GDP first we choose a "base" year

Voor	Price	Quantity	Price	Quantity	Price	Quantity	Marainal CDD
Year	X	X	Y	Y	Z	Z	Nominal GDP
1	1	100	0.5	50	0.6	10	(1x100)+(0.5x50)+(0.6x10)= 131
2	2	100	1	50	1.2	10	(2x100)+(1x50)+(1.2x10)=262
3	4	100	2	50	2.4	10	(4x100)+(2x50)+(2.4x10)=524
4	8	100	4	50	4.8	10	(8x100)+(4x50)+(4.8x10)=1,048