

## When we measure GDP, we want to know the amount of goods and services produced: quantity produced. But in measuring quantity we ran into two problems:

## 1. We can not add apples and oranges and web pages and computers and hair cuts: we can not add quantities produced

- 2. Goods have different intrinsic value: To build a computer, more value is added to the raw materials than the value added to produce a pencil: GDP must account for
  - differences in value added.

## GDP

When we measure GDP, we want to know the amount of goods and services produced: quantity produced. But in measuring quantity we ran into two problems:

- We can not add apples and oranges and web pages and computers and hair cuts: we can not add quantities produced
- 2. Goods have different intrinsic value: To build a computer, more value is added to the raw materials than the value added to produce a pencil: GDP must account for differences in value added.

## Prices solve both problems