x100

0.5

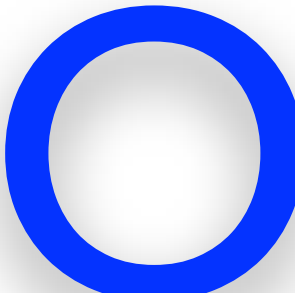
Nominal GDP

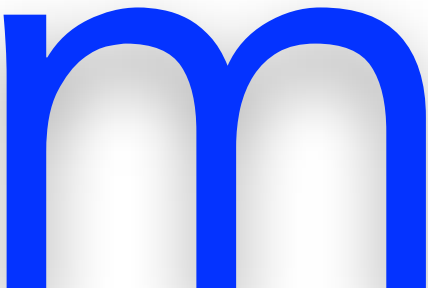
Real GDP

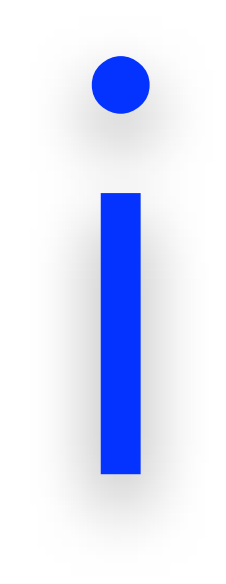
$15,000

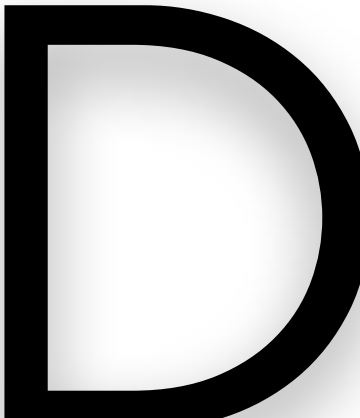
$30,000

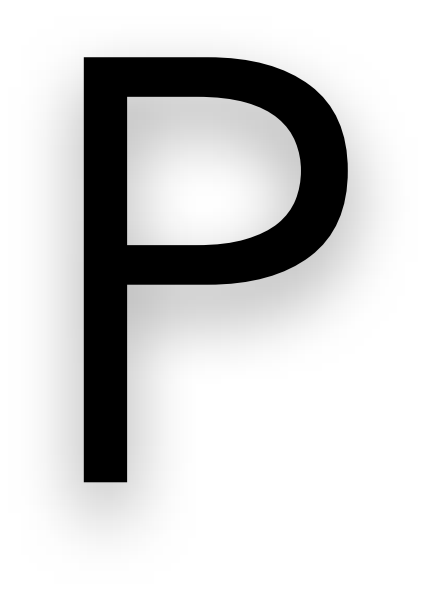
Nominal GDP is
half of Real GDP

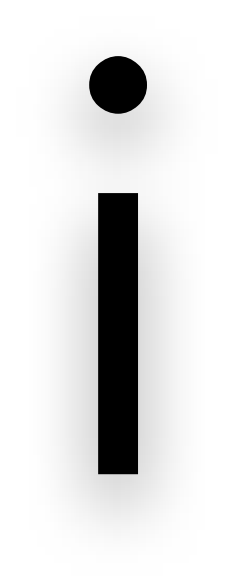


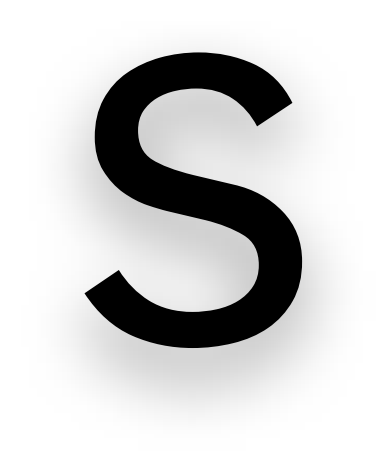


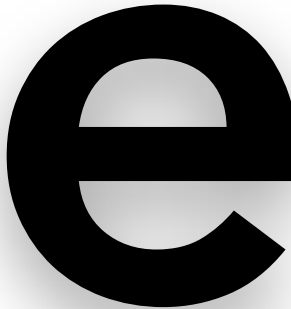


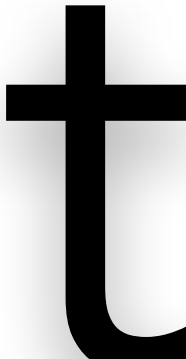


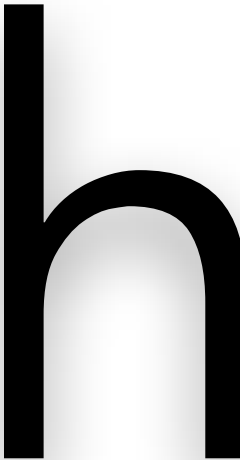












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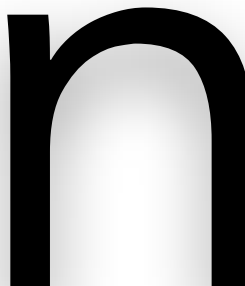

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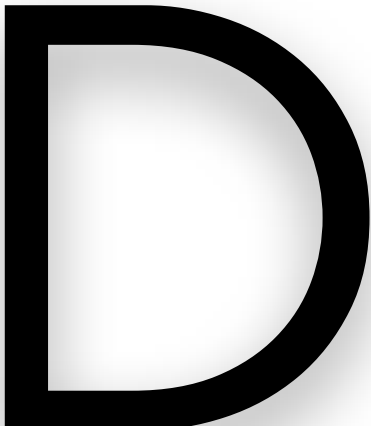

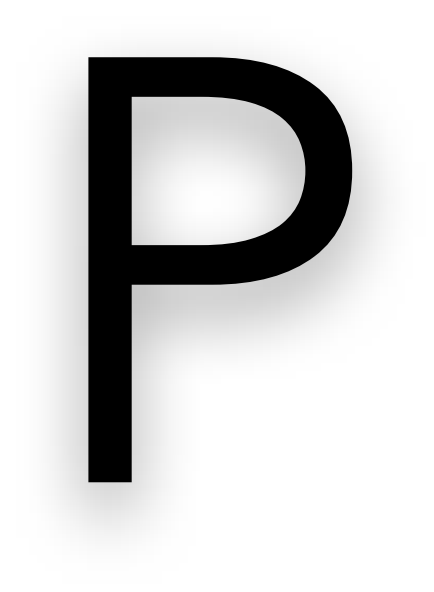

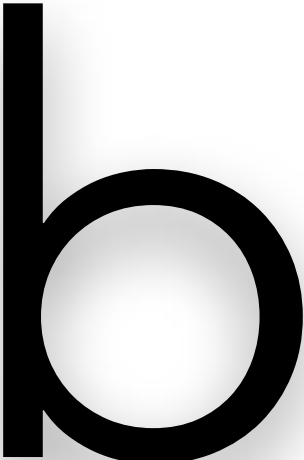

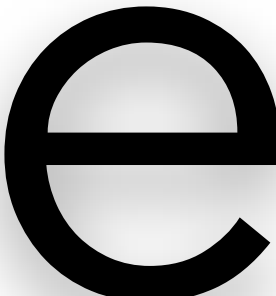

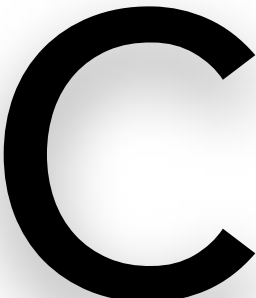

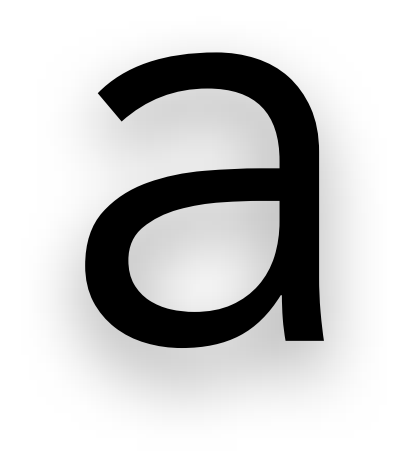
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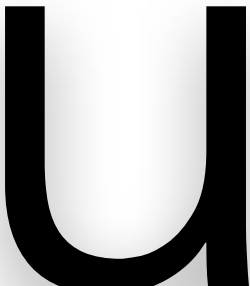

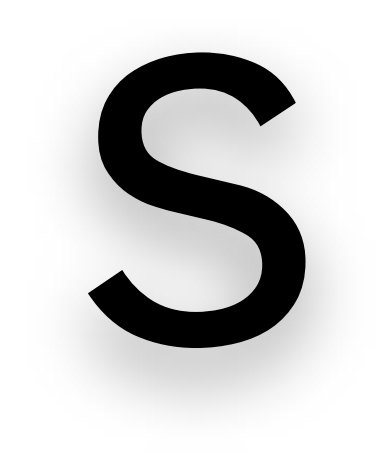

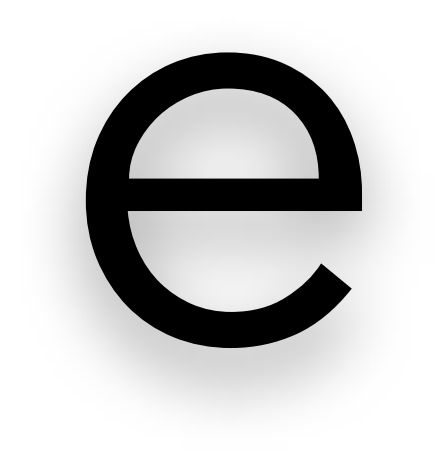

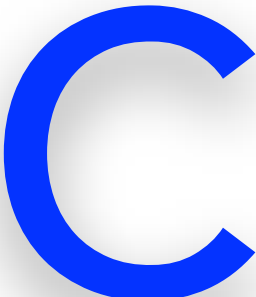

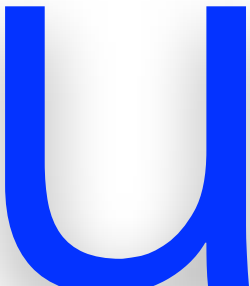

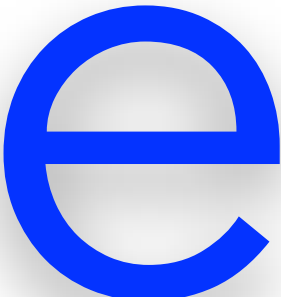

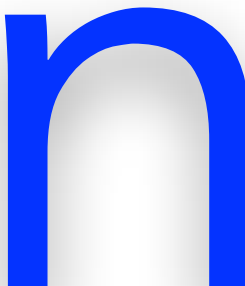

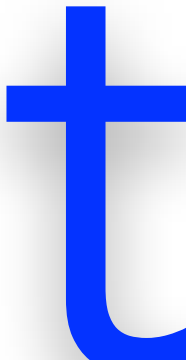

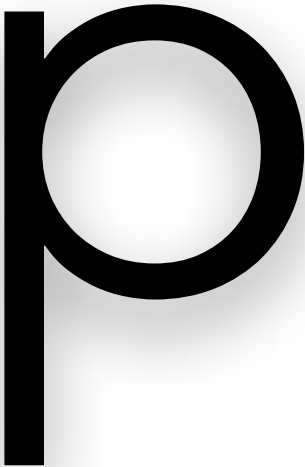

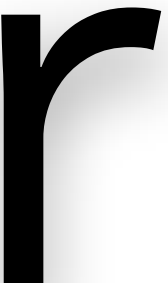

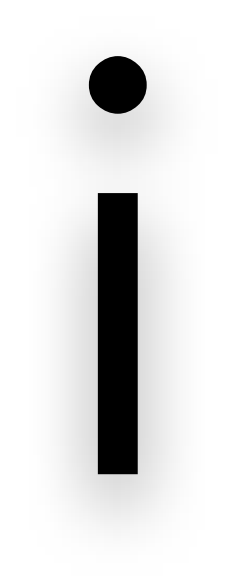

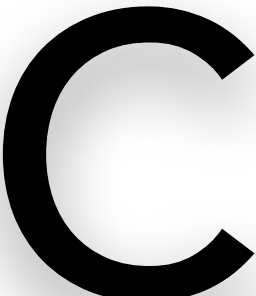

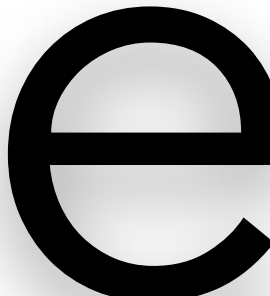

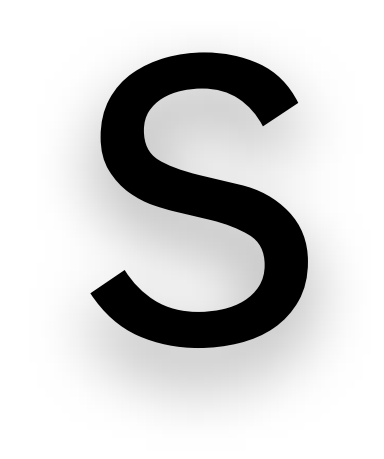

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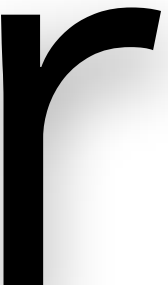

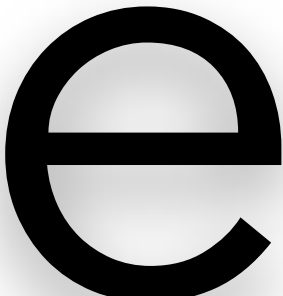

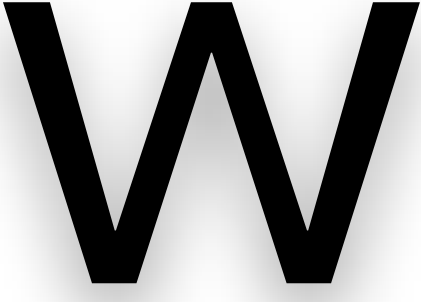

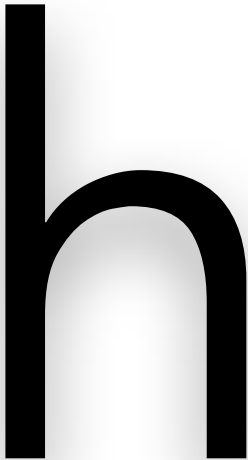

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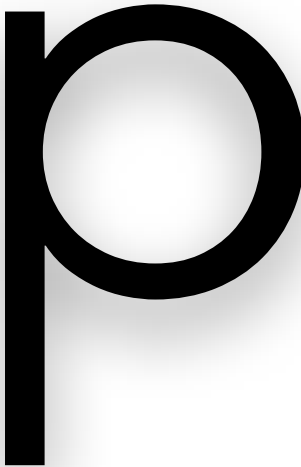

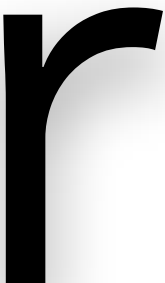

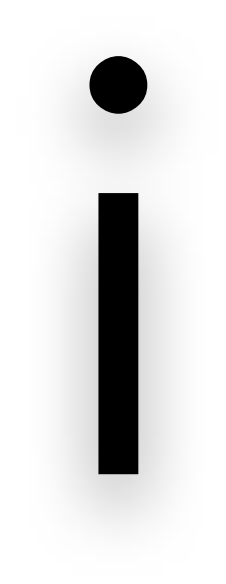

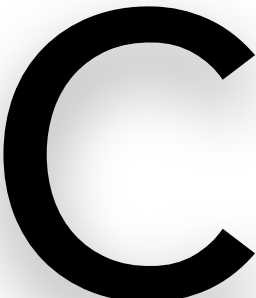

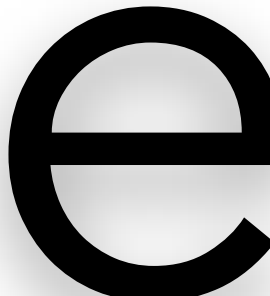

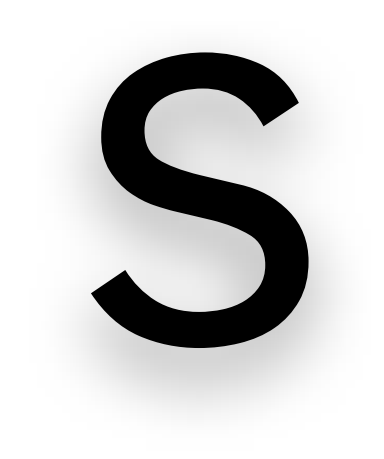

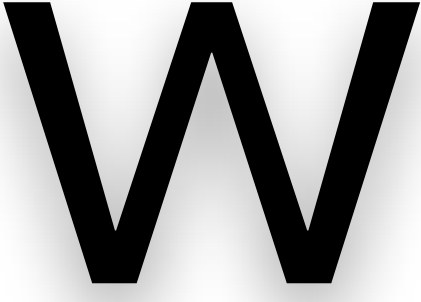

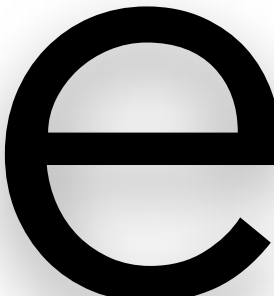

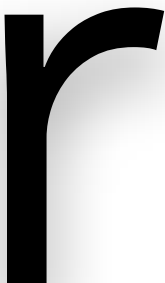

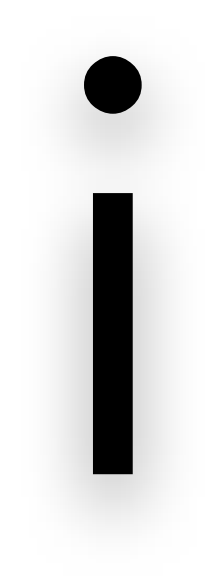

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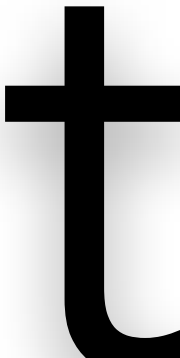

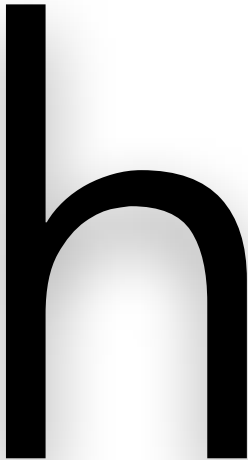

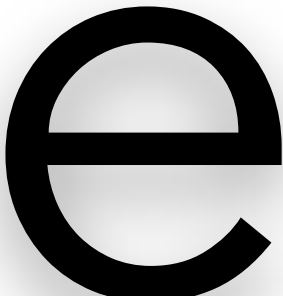

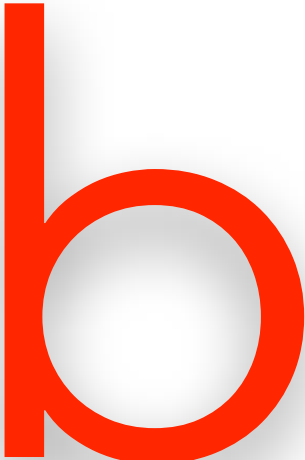

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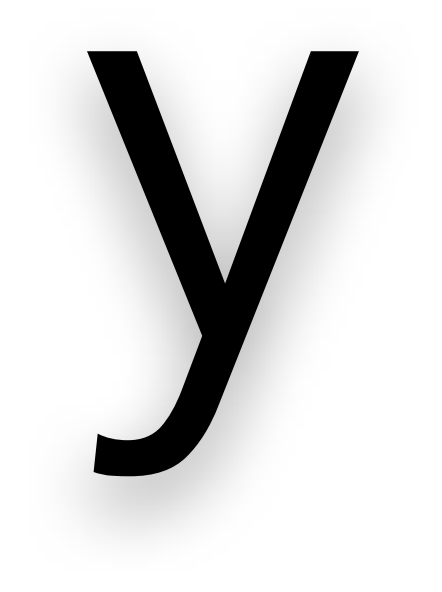
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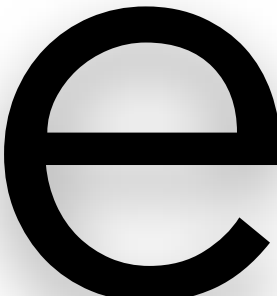

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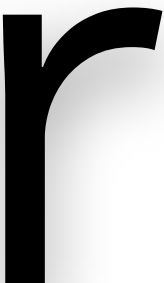
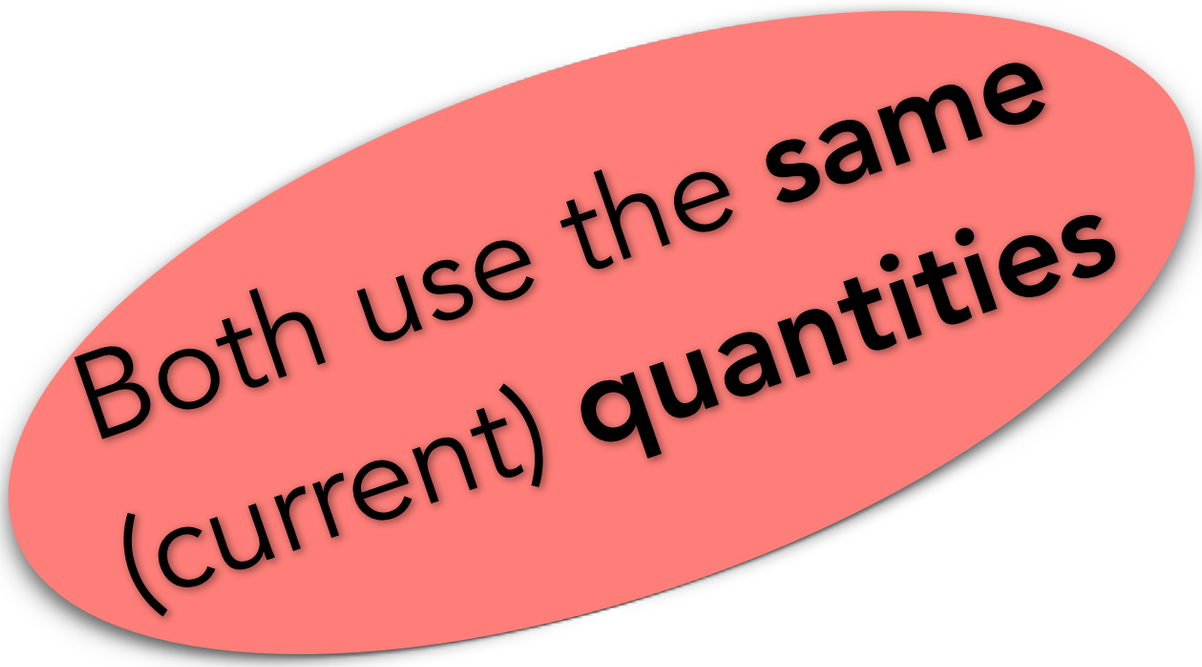


GDP Deflator=

x100

GDP Deflator for 2019 = 50


Both use the **same**
(current) **quantities**

Nominal GDP is **smaller** than Real GDP because current prices are **half** what prices were in the base year

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GDP Deflator for 2019 = 50

Both use the **same** (current) **quantities**

Nominal GDP is **half** of Real GDP

$$\text{GDP Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100 = \frac{\$15{,}000}{\$30{,}000} \times 100 = 0.5 \times 100$$

GDP Deflator for 2019 = 50

Nominal GDP is **half** of Real GDP

0.5 x 100