

Real GDP

For 2019 **real** GDP we use prices paid in **base** year



2019 **Real** GDP use
quantities purchased in
2019 but uses prices
paid in the **base year**



Since prices are **fixed at**
base year prices, we know
changes in **Real** GDP are
due to a change in
quantities not prices

= \$11,000B

$$\left(Q_{\text{apples}}^{2019} \times P_{\text{apples}}^{\text{base year}} \right)$$

$$+ (Q_{\text{computers}}^{2019} \times P_{\text{computers}}^{\text{base year}})$$

$$+ (Q_{\text{haircuts}}^{2019} \times P_{\text{haircuts}}^{\text{base year}})$$

$$+ (Q_{\text{cars}}^{2019} \times P_{\text{cars}}^{\text{base year}})$$

$$+ (Q_{\text{houses}}^{2019} \times P_{\text{Houses}}^{\text{base year}})$$

+

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$$\begin{aligned} & (Q_{\text{apples}}^{2019} \times P_{\text{apples}}^{\text{base year}}) + (Q_{\text{computers}}^{2019} \times P_{\text{computers}}^{\text{base year}}) + (Q_{\text{haircuts}}^{2019} \times P_{\text{haircuts}}^{\text{base year}}) \\ & + (Q_{\text{cars}}^{2019} \times P_{\text{cars}}^{\text{base year}}) + (Q_{\text{houses}}^{2019} \times P_{\text{Houses}}^{\text{base year}}) + \dots = \$11,000\text{B} \end{aligned}$$

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Real GDP

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Nominal GDP

Real GDP