



[REDACTED]

[REDACTED]

x100

0.5

Nominal GDP

Real GDP

\$15,000

\$30,000



Nominal GDP is
half of Real GDP

N



m



n

a



G



P



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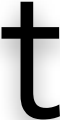




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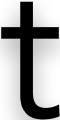
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a



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

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

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

\$15,000

Nominal GDP is
half of Real GDP

$$\text{GDP Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100 = 0.5 \times 100$$

\$30,000

GDP Deflator for 2019 = 50

Nominal GDP is
half of **Real** GDP

$$0.5 \times 100$$