



Prices provide the best "weight" to approximate value added

$$\text{GDP} = \$P_{\text{rice of pencil}}(\text{Quantity of pencils}) + \$P_{\text{rice of computer}}(\text{Quantity of computers}) + \\ \$P_{\text{rice of hair cut}}(\text{Quantity of hair cuts}) + \$P_{\text{rice of cell phone}}(\text{Quantity of cell phones}) \dots$$



Price of one  
pencil = \$0.5

Price of one  
computer = \$1,000

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GDP = Dollar value of new, final goods and services produced