

GDP

When we calculate GDP, we want to know the **amount (quantity)** of goods and services 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 values: More **value is added** to the raw materials to produce a computer than the value added to produce a pencil.

A country that produces 10,000 computers produces more **value** than a country that produces 10,000 pencils

GDP calculation must reflect these differences in value

GDP

When we calculate GDP, we want to know the **amount (quantity)** of goods and services 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 values: More **value is added** to the raw materials to produce a computer than the value added to produce a pencil.

A country that produces 10,000 computers produces more **value** than a country that produces 10,000 pencils

GDP calculation must reflect these differences in value

Prices solve both problems