Name: _____
Team: _____

Unit 3: Macro Measures

Measuring Growth

Definition of Gross Domestic Product (GDP)-

GDP = _____+_____+_____+_____

Three things not included in GDP:

1.

2.

3.

Nominal GDP-

Real GDP-

GDP Deflator-

Business Cycle

Label peak, recession/contraction, trough, expansion

Real GDP

GDP Deflator Practice

1. The Nominal GDP is $100 billion and the Real GDP is $80 billion. Calculate the GDP deflator.

2. The Real GDP is $100 billion and the GDP deflator is 200. Calculate the Nominal GDP.

3. The Real GDP is $200 billion and the GDP deflator is 120. Calculate the Nominal GDP.

4. The Nominal GDP is $300 billion and the GDP deflator is 150. Calculate the Real GDP.

5. The Nominal GDP is $100 billion and the GDP deflator is 125. Calculate the Real GDP.

Measuring Unemployment*

1. Frictional Unemployment

2. Structural Unemployment

3. Cyclical Unemployment

Full Employment

Natural Rate of Unemployment (NRU)

Problems With Unemployment Rate

Discouraged Job Seekers-

Underemployed (part-time) Workers-

Name: _____
Team: _____

Measuring Inflation

Market Basket-

Consumer Price Index (CPI) Equation

CPI = _____ x 100

CPI Practice*

Using the values of the market baskets below, calculate the CPI for each year. Start with 2009 as the base year then recalculate with 2010 as the base year. Lastly, recalculate with 2011 as the base year.

Year	Market Basket	Base Year 2009	Base Year 2010	Base year 2011
2009	$20	100		
2010	$40		100	
2011	$50			100

Helped or Hurt by Unexpected Inflation

Assume expected inflation is 2% but actual inflation turns out to be 5%. Who is helped and hurt by inflation?

Helped	Hurt

Interest Rates and Inflation

Real interest rate=

Nominal interest rate=

1. If the nominal interest rate is 7% and expected inflation is 3%, what is the real interest rate?
2. If the real interest rate is -2% and the nominal interest rate was 3%, what was the inflation rate?

Causes of Inflation

1.

2.

3.

Quantity Theory of Money

Quantity Theory of Money Equation:

_____ x_____=_____x_____

_____= _____=

_____= _____=

Assume the amount of money is $5 and it is being used to buy 10 products with a price of $2 each.
1. How much is the velocity of money?
2. If the velocity and output stay the same, what will happen if the amount of money increases to $10?

*See videos on YouTube channel ACDCLeadership