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| **Unit 4 Problem Set: Macro Measures  *\_\_\_\_\_\_\_\_/ 40 points Chapters 11, 12, 13*** | | |
| **1. Measuring Growth** | | |
| Definition of Gross Domestic Product (GDP)-  **GDP = \_\_\_\_\_+\_\_\_\_\_+\_\_\_\_\_+\_\_\_\_\_**  Three things not included in GDP:  1.  2.  3. | | Nominal GDP-  Real GDP-  Consumer Price Index (CPI)- |
| **2. Business Cycle**  ***Label peak, recession/contraction, trough, expansion/recovery***  Real GDP  Time | | |
| **4. Measuring Unemployment** | **5. Full Employment**  Natural Rate of Unemployment (NRU)  **6. Problems With Unemployment Rate**  Discouraged Job Seekers (define)-  Underemployed (part-time) Workers (define)- | |
| 1. Frictional Unemployment (+ example)  2. Structural Unemployment (+ example)  3. Cyclical Unemployment (+ example) |

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| **9. Helped or Hurt by Unexpected Inflation** | **10. Interest Rates and Inflation** |
| Assume expected inflation is 2% but actual inflation turns out to be 5%. Who is helped and hurt by inflation?  Helped Hurt | Real interest rate=  Nominal interest rate= |
| **11. Causes of Inflation**  1. **Quantity Theory of Money (*but you will not be tested over this type*) Equation—MV = PY were M= Money supply, V= velocity of money, P= price level, and Y is output. Please recognize that P\*Y= GDP**  You will need to know #2 and #3 for the test and quizzes.  2.  3. | |