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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.  |