







Unit 4 Review

- 
- The value of goods and services produced in a nation in a given time period is the definition of....

- 
- GDP (gross domestic product)

- 
- Which type of unemployment decreases during a recession?


- 
- Which type of unemployment decreases during a recession?
 - Frictional

- 
- If the CPI in 1985 was 150 and the CPI in 1986 was 155, what was the rate of inflation for 1986?

- If the CPI in 1985 was 150 and the CPI in 1986 was 155, what was the rate of inflation for 1986?
- $(155-150)/150*100=3.3\%$


- 
- GDP that is adjusted for price changes is called....

- 
- **Real GDP**

- 
- The number of people unemployed in a small town is 150.
 - The number of people working full time is 500.
 - The number of discouraged workers is 100.
 - The number of people who work part-time is 250.
 - What is the unemployment rate?


$$150/900 * 100 = 16.7\%$$


- The number of people unemployed in a small town is 150.
- The number of people working full time is 500.
- The number of discouraged workers is 100.
- The number of people who work part-time is 250.
- What is the unemployment rate?

- 
- If the market basket of goods in the base year cost \$8.50 and the same basket of goods was cost \$9.25, calculate the CPI for the base year and the following year.

- If the market basket of goods in the base year cost \$8.50 and the same basket of goods was cost \$9.25, calculate the CPI for the base year and the following year.
- Base year CPI is always 100
- $9.25/8.50 * 100 = 109$

- 
- Real GDP per capita equation.

- 
- **Real GDP/population**

- 
- Full employment means that there is no _____ unemployment occurring in the economy.


- 
- cyclical

- 
- An increase in the general price level is called...


- 
- **Inflation**

- 
- Temporary unemployment experienced by people changing jobs is called...


- 
- Frictional unemployment

- 
- Inflation caused by a demand for goods rising quicker than the production of goods is called....


- 
- Demand-pull inflation

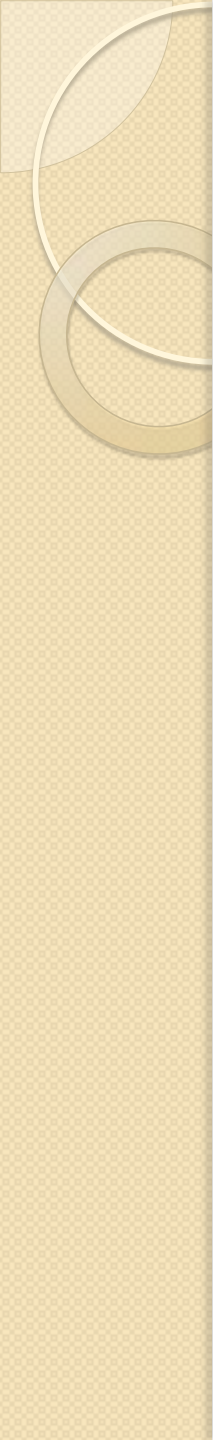
- 
- Inflation caused by increasing production prices is called....


- 
- **Cost-push inflation**


- 
- The tool used to measure inflation, creates a basket of goods and compares prices over time.

- 
- **CPI (consumer price index)**


- 
- When people don't have the skills necessary for available jobs, _____unemployment occurs.


- 
- When people don't have the skills necessary for available jobs, structural unemployment occurs.


- 
- What is the estimated unemployment rate that would be considered full employment in the US?

- 
- What is the estimated unemployment rate that would be considered full employment in the US?
 - 4-5%

- A migrant farmer who is unemployed during the winter months is _____unemployed.

- 
- A migrant farmer who is unemployed during the winter months is seasonally unemployed.

- 
- John works as a waiter but has a degree in architecture. What term defines his situation?

- 
- John works as a waiter but has a degree in architecture. What term defines his situation?
 - Underemployed

- 
- What is the GDP equation?
 - GDP=



- $GDP = C + I + G + NX$

- 
- What does G stand for?

- 
- **government**

- 
- What does C stand for?

- 
- Consumption

- 
- **What does I stand for?**

- 
- **Investment**

- 
- For Investment (in GDP) who is making purchases or expanding inventories?

- 
- **Businesses**

- 
- In GDP, what does NX stand for?

- 
- Net exports
 - Or
 - Exports-imports

- 
- **Who is the chairman of the FED?**

- 
- **Ben Bernanke**

- 
- John has given up looking for work because he believes no one will hire him.
John is a....

- 
- Discouraged worker

- \$100 grocery products
- \$200 increase in auto inventory
- \$200 public education
- \$100 military spending

- \$300 factories built
- \$100 cars shipped to France
- \$200 imported goods from China

Calculate C

- \$100 grocery products
- \$200 increase in auto inventory
- \$200 public education
- \$100 military spending

- \$300 factories built
- \$100 cars shipped to France
- \$200 imported goods from China

Calculate $C=100$

- \$100 grocery products
- \$200 increase in auto inventory
- \$200 public education
- \$100 military spending

- \$300 factories built
- \$100 cars shipped to France
- \$200 imported goods from China

Calculate I

Pop: 10

- \$100 grocery products
- \$200 increase in auto inventory
- \$200 public education
- \$100 military spending

- \$300 factories built
- \$100 cars shipped to France
- \$200 imported goods from China

Calculate $I=500$

Pop: 10

- \$100 grocery products
- \$200 increase in auto inventory
- \$200 public education
- \$100 military spending

- \$300 factories built
- \$100 cars shipped to France
- \$200 imported goods from China

Calculate G

Pop: 10

- \$100 grocery products
- \$200 increase in auto inventory
- \$200 public education
- \$100 military spending

- \$300 factories built
- \$100 cars shipped to France
- \$200 imported goods from China

Calculate $G=300$

Pop: 10

- \$100 grocery products
- \$200 increase in auto inventory
- \$200 public education
- \$100 military spending

- \$300 factories built
- \$100 cars shipped to France
- \$200 imported goods from China

Calculate X

Pop: 10

- \$100 grocery products
- \$200 increase in auto inventory
- \$200 public education
- \$100 military spending

- \$300 factories built
- \$100 cars shipped to France
- \$200 imported goods from China

Calculate $X = -100$

Pop: 10

- \$100 grocery products
- \$200 increase in auto inventory
- \$200 public education
- \$100 military spending

- \$300 factories built
- \$100 cars shipped to France
- \$200 imported goods from China


GDP per capita

- \$100 grocery products(C)
- \$200 increase in auto inventory(I)
- \$200 public education(G)
- \$100 military spending(G)

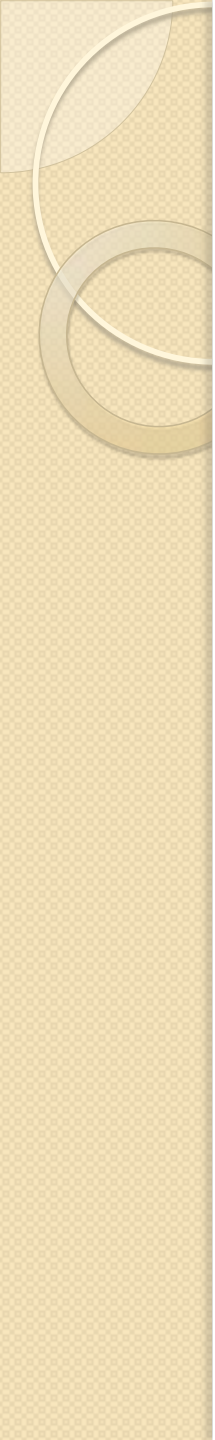
- $G = \$300$
- $X = -100$
- $GDP \text{ per capita} = \80

- \$300 factories built(I)
- \$100 cars shipped to France($X+$)
- \$200 imported goods from China($X-$)


- $GDP = \$800$
- $C = 100$
- $I = 500$




The four phases of a business cycle, in order, are (from the highest point)

- 
- The four phases of a business cycle, in order, are
 - peak, recession, trough, expansion.
 -

- 
- **What is the definition a recession?**

- 
- What is the definition a recession?
 - Two consecutive quarters of negative GDP

- 
- When Karen Baker finished college, it was three months before she found a good job. During this time between graduation and her first working day, she was considered to be what type of unemployed?

- 
- Frictional

- 
- Define structural unemployment.

- 
- **Mismatch of people's skills to jobs available**

- 
- What is the equation to find the real interest rate?

- 
- **Real=nominal -inflation**

- 
- **What does the business cycle measure?**

- 
- Changes in GDP over time.

- If the nominal interest rate is 10 percent and the real interest rate is 6 percent, then the inflation rate must equal







- 4%

- 
- **Who does inflation benefit?**

- 
- People who borrow money.

- 
- What is cost push inflation caused by?

- 
- Increasing input prices.
 - Oil prices rising

- 
- If a college professor's income has increased by 20 percent at the same time that prices have risen by 15 percent, the professor's real income has

- 
- Risen by 5%