**Unit 3 Overview**

**Big Questions:**

How is one person’s spending another person’s income?

What do GDP, the inflation rate, and the unemployment rate tell us about an economy?

How do we know if an economy is doing well or poorly?

**Essential Understandings and Terms:**

**Students should be able to calculate GDP using a data set, explain and calculate the differences between real and nominal GDP, and describe the limitations of using GDP to calculate well-being and total wealth and economic growth.**

Mastery Includes: Explain the components of the GDP formula. Calculate nominal and real GDP. Explain the limits of GDP as a calculation of well-being. Describe what is not included in the GDP formula. Calculate real and nominal GDP using a price index. Calculate the GDP deflator. Describe the 4 phases of the business cycle. Explain what it means to have economic growth and what can potentially increase it.

Income

Gross Domestic Product (GDP)

Intermediate Goods

GDP Expenditure Formula

Gross Private Investment

Income = Expenditures

Nominal GDP

Real GDP

Business Cycle

Expansion, Contraction/Recession, Peak, Trough, Depression

Transfer Payments

Economic Growth

Infrastructure and Public or Social Capital

**Students should be able to define and calculate the unemployment rate using a data set and be able to explain the limitations of the unemployment rate.**

Mastery Includes: Define and calculate the labor force, unemployment rate, and the labor force participation rate. Define the four types of unemployment. Define and explain the natural rate of unemployment and full employment. Explain what causes NRU to change over time.

Unemployment

Civilian Labor Force

Unemployment Rate Calculation

4 Types of Unemployment

Natural Rate of Unemployment (NRU)

Full Employment

Labor Force Participation Rate

**Students should be able to calculate the inflation rate using a price index and explain the costs of inflation to society.**

Mastery Includes: Define CPI, inflation, deflation, disinflation, and the inflation rate. Calculate the CPI and inflation rate. Describe the weaknesses of using CPI to measure inflation. Explain the costs of unexpected inflation to lenders and borrowers.

Consumer Price Index (CPI)

GDP Deflator

Demand Pull Inflation

Cost Push Inflation

Deflation

Hyperinflation

Unanticipated VS Anticipated Inflation

Costs of Inflation and Unemployment

Real VS Nominal Wage Rate

Real VS Nominal Interest Rate

Inflation

Price Index