Define Gross Domestic Product: ______________________________________________________________
________________________________________________________________________________________
________________________________________________________________________________________

Draw the Business Cycle:

Who is John Maynard Keynes? What was his philosophy? _______________________
________________________________________________________________________________________
________________________________________________________________________________________
________________________________________________________________________________________

What are the five main periods of U.S. economic history: __________________________________________
________________________________________________________________________________________
________________________________________________________________________________________
________________________________________________________________________________________
________________________________________________________________________________________

What are the reasons for the current recession? ___________________________________________________
________________________________________________________________________________________
________________________________________________________________________________________
________________________________________________________________________________________

Chapter 6 – Productivity and Growth
List and describe the four determinants of productivity:

1. ________________________________________________________________
________________________________________________________________________________________

2. ________________________________________________________________
________________________________________________________________________________________
Chapter 7 – Tracking the U.S. Economy

Why does total income equal total expenditures? __________________________

What are the four components of GDP? __________________________

If total spending (nominal GDP) rises from one year to the next, what are the 2 potential reasons?

What are diminishing returns? __________________________

How does the idea of diminishing returns explain the catch-up effect? __________________________

How has technology impacted productivity and growth? Explain and use examples: __________________________
GDP Calculations: Use the information in the table to calculate nominal GDP, real GDP, GDP price index, and inflation. SHOW ALL OF YOUR WORK.

<table>
<thead>
<tr>
<th>Year</th>
<th>Q of Wheat</th>
<th>P of Wheat</th>
<th>Q of Corn</th>
<th>P of Corn</th>
<th>Q of Rice</th>
<th>P of Rice</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>100</td>
<td>$5</td>
<td>50</td>
<td>$10</td>
<td>100</td>
<td>$2</td>
</tr>
<tr>
<td>2007</td>
<td>200</td>
<td>$6</td>
<td>70</td>
<td>$10</td>
<td>90</td>
<td>$3</td>
</tr>
<tr>
<td>2008</td>
<td>300</td>
<td>$7</td>
<td>60</td>
<td>$9</td>
<td>80</td>
<td>$3</td>
</tr>
</tbody>
</table>

Calculate Nominal GDP:

2006: ________________________________
2007: ________________________________
2008: ________________________________

Calculate Real GDP:

2006: ________________________________
2007: ________________________________
2008: ________________________________

Calculate the GDP price index:

2006: ________________________________
2007: ________________________________
2008: ________________________________

Calculate inflation:

2006-2007: ________________________________
2007-2008: ________________________________

A typical consumer purchases 3 sandwiches, 4 sodas, and 2 bags of chips. Use this information to calculate the CPI:

<table>
<thead>
<tr>
<th>Year</th>
<th>P of Sandwiches</th>
<th>P of Soda</th>
<th>P of Chips</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$10</td>
<td>$2</td>
<td>$2</td>
</tr>
<tr>
<td>2007</td>
<td>$11</td>
<td>$3</td>
<td>$4</td>
</tr>
<tr>
<td>2008</td>
<td>$12</td>
<td>$5</td>
<td>$6</td>
</tr>
</tbody>
</table>

Price of the basket in each year:

2006: ________________________________
2007: ________________________________
Construct CPI (use 2006 as base year):

2006: _________________________________________________________

2007: ___________________________________________________________________________________

2008: ___________________________________________________________________________________

What is the inflation rate:

2006-2007: _________________________________________________________

2007-2008: _______________________________________________________________________________

What are the three problems associated with the Consumer Price Index? Briefly explain each problem.

1. _______________________________________________________________________________________
   _______________________________________________________________________________________
   _______________________________________________________________________________________

2. _______________________________________________________________________________________
   _______________________________________________________________________________________

3. _______________________________________________________________________________________
   _______________________________________________________________________________________
   _______________________________________________________________________________________

Explain the two differences between the CPI and the GDP price index: _______________________________
____________________________________________________________________________________
____________________________________________________________________________________

Chapter 8 – Unemployment and Inflation

What three categories does the Bureau of Labor Statistics classify adults in to measure unemployment?

____________________________________________________________________________________
____________________________________________________________________________________
____________________________________________________________________________________
What is the labor force? ___________________________________________________________

If the total population (age 16 and over) is 40 million, 1 million are unemployed, and 24 million currently hold jobs, how big is the labor force? ________________ What is the unemployment rate? ________________

What is the labor force participation rate? _____________________.

How does the BLS classify each of the following people?

A former real estate agent who would like to work, but has given up actively searching for employment.

________________________________

Sam, who owns Sam’s Famous Pizzeria and makes pizzas all day.

________________________________

Grandma Beatrice, who gardens and plays bridge with her friends.

________________________________

A former autoworker who just got hired to work for a renewable energy company.

________________________________

What is the natural rate of unemployment? ______________________________________________________

_________________________________________________________________________________________

What are discouraged workers? _______________________________________________________________

_________________________________________________________________________________________

What is frictional unemployment? _____________________________________________________________

_________________________________________________________________________________________

What is structural unemployment? _____________________________________________________________

_________________________________________________________________________________________