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**Unit 3 Essential Questions**

1. Define Gross Domestic Product.

2. Name 3 things that are excluded from GDP.

3. What is the equation for the output-expenditure model?

4. Which type of spending accounts for the largest part of GDP?

5. If (X-M) is negative, the result is a?

1. Define inflation.

2. What is the consumer price index (CPI)?

3. What is current/nominal GDP?

4. What is real/constant GDP?

5. How is GDP adjusted for inflation?

1. What are 2 ways to measure economic growth using GDP?

2. Which of the 2 methods in the question above is a better measure of standard of living?

3. What is a business cycle?

4. Name the 4 phases of the business cycle.

5. When real GDP falls for a minimum of 6 months it is called what?

1. How is the unemployment rate calculated?

2. Who is included in the civilian labor force?

3. Name the 4 main types of unemployment.

4. Who is a discouraged worker?

5. What is the estimate of unemployment when the economy is at full employment?

1. How is the inflation rate calculated?

2. What are the 2 types of inflation called?

3. Name 1 winner and 1 loser from inflation.

4. Name the 4 parts of the Federal Reserve.

5. What is Monetary Policy?

1. What is a fractional reserve system?

2. When would the Fed use an easy money policy, or a tight money policy?

3. What are the 3 tools the Fed uses in monetary policy?

4. Which tool is the most popular?

5. What would the Fed do with its 3 tools when fighting recession?

1. What is aggregate supply?

2. Name 3 factors that could shift the aggregate supply curve.

3. What is aggregate demand?

4. Name 3 factors that could shift the aggregate demand curve.

5. Where does macroeconomic equilibrium occur?

1. What is fiscal policy?

2. What would be the appropriate fiscal policy when fighting recession?

3. Who carries out fiscal policy?

4. What is deficit spending?

5. What is the federal debt?