1. Circular flow diagram

2. GDP = C + I + G + Xn (only measures production of final goods)

    consumption

    investment

    government purchases (not transfer payments)

    imports - exports

        used goods (not counted)

        intermediate goods (not counted)

3. Real GDP vs. Nominal GDP

    P x Q

    Real = base year price x real year units produced

    GDP Deflator

4. Labor Force = total employed + total unemployed

    retired workers (don't count)

    discouraged workers (don't count)

    students (don't count)

5. Unemployment Rate = unemployed /labor force x 100

6. Frictional unemployment

7. Structural unemployment

8. Cyclical unemployment

9. Natural Rate of Unemployment (NRU)

10. Menu costs (inflation)

11. Shoe leather costs (inflation)

12. Unit of account costs (inflation)

13. Hyper inflation

14. CPI (consumer price index)

    Inflation Rate = 100 x (CPI this year – CPI last year) / CPI last year

15. Market basket

16. Creditors (dislike inflation) but borrowers (like inflation)