

# Unit 2: Measures of Economic Performance: The "Circle" of

Content Area: **Social Studies**  
Course(s): **AP Macro Economics**  
Time Period: **October**  
Length: **6 weeks**  
Status: **Published**

## Transfer Skills

---

Students will be able to independently use their learning to assess different variables of economics and determine how they would impact real world situations.

## Enduring Understandings

---

The Circular Flow chart helps people understand how goods and service are exchanged through an economy. Money is exchanged in both the factor (production) market and product (final goods) market for goods. Taxes "leak" money out of the circular flow of goods and services for money.

Gross Domestic Product (GDP) is the total production of a nation and when coupled with population (per capita GDP), countries can be evaluated on how productive their population is on average.

Inflation and deflation show the growth (or lack of) in price level for a country's goods. Steady inflation (2%) shows a strong economy while high inflation (hyper inflation) and long periods of deflation (recession/depression) indicate an economy in crisis.

Unemployment is always present in an economy (around 5%) but high levels of unemployment show weakness in a countries ability to produce goods efficiently.

Each indicator alone does not determine the strength of economies, but together they help us to gauge a country's total productivity.

## Essential Questions

---

What are the different categories of unemployment and how do we calculate and analyze unemployment numbers?

How does using GDP, inflation and unemployment help people to understand how strong or weak a country's economy is?

How does understanding the circular flow chart help us to determine how goods and money are distributed throughout an economy?

How can we use economic indicators to evaluate our country's economy against other country's economies?

How has the government curtailed long periods of excessive growth or recession/depression?

## **Content**

---

### Vocabulary

Labor Force Participation Rate, Frictional Unemployment, Structural Unemployment, Cyclical Unemployment, Full Employment, Inflation, Deflation, Purchasing Power, Price Index, Consumer Price Index, Gross Domestic Product, Anticipated vs Unanticipated Inflation, Cost of Living Adjustment, Recession, Depression, Investment, Depreciation, Disposable Income, Nominal vs. Real Values

## **Skills**

---

Construct and analyze circular flow chart.

Debate and discuss the impact of unemployment and inflation on real people.

Evaluate economic indicators and how they show the health of an economy.

Chart and analyze the business cycle and understand why it consistently rises and falls.

Calculate Unemployment and Work Force Numbers.

Calculate Inflation and Consumer Price Index.

Write and evaluate how these theories and ideas pertain to real world situations.

## Resources

---

## Standards

---

SOC.6.1.12.C.2.a	Assess the effectiveness of the new state and national governments attempts to respond to economic challenges including domestic (e.g., inflation, debt) and foreign trade policy issues.
PFL.9.1.12.D	Planning, Saving, and Investing
PFL.9.1.12.F	Civic Financial Responsibility
SOC.6.1.12.C.1	Economics, Innovation, and Technology
SOC.6.1.12.C.5.c	Analyze the cyclical nature of the economy and the impact of periods of expansion and recession on businesses and individuals.
PFL.9.1.12.A.5	Analyze how the economic, social, and political conditions of a time period can affect the labor market.
SOC.6.1.12.C.5.a	Analyze the economic practices of corporations and monopolies regarding the production and marketing of goods, and determine the positive or negative impact of these practices on individuals and the nation and the need for government regulations.
SOC.6.1.12.C.5	Economics, Innovation, and Technology
PFL.9.1.12.A.9	Analyze how personal and cultural values impact spending and other financial decisions.
PFL.9.1.12.A.4	Identify a career goal and develop a plan and timetable for achieving it, including educational/training requirements, costs, and possible debt.