Beyond One Number

Reading the signals of a national economy

E.5.1 "Explain measures of a country's economic performance such as gross domestic product (GDP), unemployment, and inflation."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline what GDP, unemployment, and inflation each measure, then circle one caution about using each measure alone.

What the Numbers Miss

1. A city can feel busy without everyone becoming better off. To judge the whole country, economists use gross domestic product, or GDP, the market value of final goods and services produced within its borders during a period of time. A new bicycle workshop adds to output by selling finished bikes, but a higher GDP alone does not show who receives the income. GDP measured in current prices can also rise when prices rise, even if production does not. Comparing output after accounting for price changes gives a clearer picture of whether the economy actually made more.

2. Unemployment looks at a different part of economic life: access to paid work. The unemployment rate is the share of the labor force without a job who are available for work and actively seeking one. The labor force includes people who are employed or meet those job-seeking conditions, not every adult in a country. If a hotel closes and its staff begin applying elsewhere, those job seekers count as unemployed. Someone who wants a job but has stopped looking is usually not counted, so a low unemployment rate can hide people struggling to find work.

3. Inflation is a sustained rise in the overall price level, often tracked with a basket of goods and services households buy. If wages stay the same while typical prices climb, those wages buy less. A single expensive concert ticket does not, by itself, show inflation across the economy. Each measure therefore answers a different question: GDP describes production, unemployment tracks job seekers without work, and inflation tracks changes in purchasing power. A country might produce more and hire more people while prices also rise quickly. Looking at all three provides a fuller picture than celebrating any one number.

2 ANSWER WITH EVIDENCE

Use the passage

1. A country's GDP measured in current prices rises, but it produces the same amount of goods and services. What could explain the rise, and what comparison would better show whether production grew?

2. A laid-off worker stops applying for jobs after months of searching. Would that person usually count as unemployed? Explain what this means when interpreting a low unemployment rate.

3. A family's wages stay the same while typical prices rise over time. Explain what inflation does to the family's purchasing power.

4. A report celebrates rising GDP and falling unemployment. Why should an economist still check inflation before judging how households are doing?

3 YOUR TURN

Your own words

Invent a brief economic report for a fictional country where production grows, job seekers struggle to find work, and typical prices rise. In four sentences, explain what GDP, unemployment, and inflation each reveal, then give one reason the three measures together still cannot tell the whole story.

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PART 1 · READ AND MARK

Underline what GDP, unemployment, and inflation each measure, then circle one caution about using each measure alone. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	A country's GDP measured in current prices rises, but it produces the same amount of goods and services. What could explain the rise, and what comparison would better show whether production grew?	**Higher prices could raise GDP measured in current prices. Comparing output after accounting for price changes would show whether production grew.**
2	A laid-off worker stops applying for jobs after months of searching. Would that person usually count as unemployed? Explain what this means when interpreting a low unemployment rate.	**No. Without actively seeking work, the person usually does not count as unemployed, so a low rate can hide people who want jobs but have stopped looking.**
3	A family's wages stay the same while typical prices rise over time. Explain what inflation does to the family's purchasing power.	**The family's purchasing power falls because its unchanged wages buy fewer goods and services.**
4	A report celebrates rising GDP and falling unemployment. Why should an economist still check inflation before judging how households are doing?	**If typical prices are rising quickly, households may be able to buy less even while production grows and fewer job seekers are unemployed.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

In Lydora, new wind farms increase the value of goods and services produced, so GDP rises. Factory layoffs leave more active job seekers without work, so the unemployment rate rises too. As grocery and transit prices rise broadly, inflation reduces what unchanged wages can buy. Together these measures show growing output alongside hardship, but they do not reveal how income from the new wind farms is shared.

Accept accurate explanations in students' own words. For the open task, look for four sentences that distinguish production, active job seekers without work, and broad price changes, plus a plausible limitation.