Aggregate Output and Aggregate Income

- **Aggregate Output**
  - Gross Domestic Product (GDP) = market value of all final goods and services produced in the domestic economy during a particular year

- **Aggregate Income**
  - Total income of the factors of production (land, capital, labor) during a particular year

- **Distinction Between Nominal and Real**
  - Nominal = values measured using current prices
  - Real = quantities measured with constant prices
Aggregate Price Level

Aggregate price level is a measure of average prices in the economy.

One measure of the price level is the GDP Deflator:

\[
\text{GDP Deflator} = \frac{\text{nominal GDP}}{\text{real GDP}}
\]

Another measure is the Consumer Price Index (CPI).

The CPI is a measure of the average change over time in the prices paid by urban consumers for a market basket of goods and services.
Growth Rates and the Inflation Rate

A growth rate is the percentage change in a variable:

\[
\text{Growth rate} = \frac{x_t - x_{t-1}}{x_{t-1}} \times 100
\]

GDP growth rate:

\[
\text{GDP growth rate} = \frac{\$9.5 \text{ trillion} - \$9 \text{ trillion}}{\$9 \text{ trillion}} \times 100 = 5.6\%
\]

Inflation rate:

\[
\text{Inflation rate} = \frac{113 - 111}{111} \times 100 = 1.8\%
\]