1% increase in Unemployment over the Natural Rate of Unemployment (NRU) = Loss of 2.5% of GDP

1% Unemployment = GDP x 0.025

with an unemployment rate 1% higher than the NRU

Example: Suppose that total GDP = 14,000B

2. Lost Production: Okun's Law

NRU= Frictional + structural

1% Unemployment = $14,000B \times 0.025$

OS) 5350B

Costs of Unemployment

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Okun's Law: an example