Okun's Law: an example

Assume the $NRU = 5\%$	GDP= 12Trillion
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Actual Unemployment Rate = 9%

% Unemployment above NRU = 9 - 5 = 4%

Okun's Law: For each 1% extra unemployment we lose 2.5% of GDP

% Lost GDP = 4(2.5) = 10%

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\$1.2T worth of goods and services that can never be recovered

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Plotting Unemployment and Inflation