

← **Finish Chapter 8**

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← Relation between money supply and prices

- Positive relation as money supply increases, prices increase
- Nominal GDP would get larger, but real GDP would not
 - "Inflation"

← How to calculate the rate of inflation

- Inflation - *sustained increase in the average price level*
- Percent change in CPI
- Formula
 - $[(\text{Current CPI} - \text{Previous CPI}) / (\text{Previous CPI})] * (100)$

← Types of inflation (2)

- 1. Anticipated inflation
 - We know the inflation is coming
 - We can take steps to counteract this inflation
 - Ex ante
 - Ex post
 - After loan is over
- 2. Unanticipated inflation
 - Totally unexpected

- o Can help the borrower if the anticipated inflation is lower than the actual

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Chapter 9 - An Introduction to Basic Macro Markets

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Summary

- There are only four major macro markets
 - o We will only do 3
- Finding aggregate supply and aggregate demand of 3 major macro markets

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Fiscal & Monetary Policy

- Fiscal Policy
 - o *Changes in government spending or taxes + debt*
 - Relation between the two
 - Fiscal -> budget
 - Anything government spends money on -> G
 - Any tax revenue government earns -> T
 - If $G = T$ -> balanced budget
 - If $G < T$ -> surplus budget (hardly happens)

