

Macro. Ch. 5,6,7 Study Guide

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Four Groups of Macro.

1. Households
2. Firms
3. The Gov
4. Rest of World

Saving

- Spend less than you receive, savings sometimes called leakage

3 Market Arenas

1. Goods/Services
2. Labor market
3. The financial market

A. Goods Services Market

- Firms that supply the g/s
- Gov, households, firms demand them

B. Labor Markets

- Households supply labor
- Firms and gov demand it

C. Money Market

- households buy stocks/bonds from firms
- households supply funds, firms/gov supply stocks/bonds
- households demand loans
- firms demand loans
- gov demand with bonds

Fiscal vs Monetary policy

1. Fiscal Policy

Gov policies concerning taxes and spending

2. Monetary Policy

The tools used by the Fed. To control short term interest rate

Smooth out biz. Cycle

What is Macro?

- Focuses on big picture
- Aggregate output

Main Macro. Tools

- Output growth
- Unemployment
- Inflation

Households

- Pay taxes to gov
- Work for gov/firms for income
- Use income to buy shit

Firms

- supply goods and services to households/firms/gov/rest of world

Gov

- makes transfer payments
 - not involved in gdp
- does a lot more shit

Output Growth

- GDP Growth

- Goes through biz. Cycles

Unemployment

- Structural changes
 - Sector job loss
 - Long run
- Frictional
 - Between jobs
 - Short term
- Cyclical
 - Biz. Cycle

Stagflation

- High inflation
- High unemployment

Classical Econ

- Basically micro
- Viewed rescissions as self correcting
- Didn't work

Keynesian Econ

- Too little ag. Demand
- More gov spending
- Started macro econ

Monetarism

- Milton Freeman
- Steady growth in monetary supply

Supply Side Econ

- Gov tax down

New Keynesian Econ

- What were learning

Intermediate goods