

Study Guide Part 3: Variables

The monetary system Chapter 29 – 30 (esp pages 640-654)

Money as a

Medium of exchange

Unit of account

Store of value

Liquidity

Kinds of money

Commodity money (gold)

Fiat Money

Currency and demand deposits

Where is all the currency?

Dollarization, and international drug operations

Money growth and Inflation

You may skip the supply/demand for money (pgs 637 – 639) as I taught it differently, using good old

$MV = PT$

Starting page 640,

Inflation Tax (seignorage)

The Fischer effect (real vs. nominal interest rates)

The costs of inflation

Shoe-leather costs

Menu Costs

Tax distortions

Relative price changes misallocated resources

High inflation is also variable inflation

The damage to the financial system

After pg 365, you may skip

The redistribution of wealth

The wizard of oz

Chapter 10: GDP and measuring a nations wealth

$$Y = C + I + G + (X - M)$$

GDP

Real vs. Nominal

You may skip circular flow, and the GDP deflator

Chapter 11: the Cost of living (read all EXCEPT gdp deflator)

The CPI

Basket of goods

Comparing baskets across time

Inflation rate

Substitution bias

Introduction of new goods

Unmeasured quality changes

(Skip GDP Deflator)

Indexation

Real and nominal Interest rates

Chapter 12 Productivity (and Growth) (read all)

Economic growth around the world, over time

The importance of productivity

What causes productivity?

Physical Capital

Human Capital

Natural Resources

Technological Knowledge

Institutions

What increases growth and productivity?

Savings and investment

Diminishing returns and the catch up effect

Investment from abroad

Direct and indirect

Education

Mis-educated

Health and Nutrition

Property rights and Political Stability

Free Trade

Research Development

Population growth (natural resources)

Chapter 13 and 14: you may skip

Chapter 15 Unemployment

Measuring unemployment

The labor force, Employed, unemployed, out of the labor force

The Unemployment rate, the labor participation rate

The natural rate of unemployment

“frictional unemployment”

“cyclical unemployment”
Why women have been entering the workforce
Structural unemployment
Job-search
 The role of govt. in facilitating it
Unemployment insurance
Minimum Wage laws
Unions
 Insider-outsider
 Collective bargaining
 Strikes
Efficiency wages
 Worker health, turnover, quality, effort

