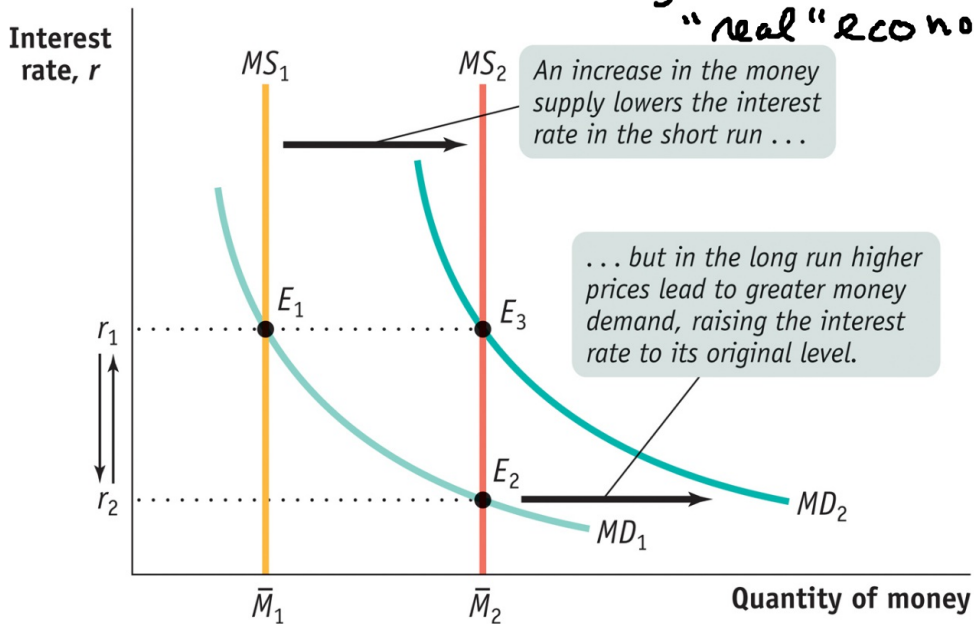


From short run to long - money market via "real" economy.



Topic: Money, Output, Prices in Long Run.

Key Concept: "money neutrality"

meaning: $r_{GDP} \cong r_{GDP}^p$ in

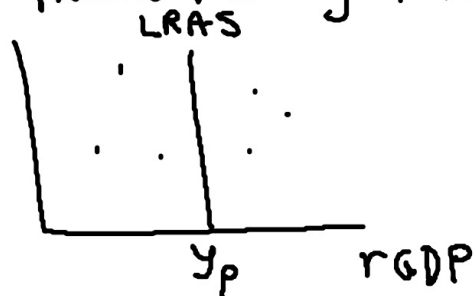
long run, no matter how

much money there is

more money:

→ higher price level P

→ no increase in LRAS level



Topic: types of inflation, deflation, disinflation.

print
\$\$



Seigniorage: ability of the sovereign to print/coin money.

unlimited printing of money, in long run produces higher prices (inflation)

short run? sovereign has instant revenue.

hyperinflation: expectation of inflation. (feedback loop)

"inflation tax" (vocab.)

loss in real purchasing power of cash holdings in a period of inflation.

"demand-pull" inflation: created by increase in demand for products & services.

"supply-push" inflation: cost of important resources (scarce, imports) causes suppliers to have to raise their prices