

**EC216 Summary:**

**Intermediate Macroeconomics & Data Analysis**

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EC216: Intermediate Macroeconomics & Data Analysis

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**EC216 Course Summary**

**Summary**

1. Uncovered Interest Parity
2. Fisher’s Real Interest Rate Hypothesis
3. Nature of Inflation Expectations
4. Okun’s Law
5. Output/GDP
6. IS-LM Model (Short-Run)

* *Open* *&* *Closed* *Economies*
* Derivation of IS (Investment & Saving Demand)
* Derivation of LM (Money Supplied & Demanded)

1. IS-LM-PC (Medium-Run)

* *Open* *& Closed Economies*
* Aggregate Supply
* Original PC
* Expectations Augmented PC
* NAIRU/Change in Unemployment PC
* Change in Output PC

1. Labour Model (Medium-Run)

* *Relative Wage & Price Setting*
* Expected Prices
* Given Prices
* Given Wages

*In Short-Run, output is determined by demand. In the Medium-Run, output is determined by supply. In Medium-Run, all output, unemployment and real interest rate remain at their natural rates due to Central Bank Monetary Policy. Seen where change in inflation is equal to zero.*

\*\*CB raises *r* until it yields \*\*

**Relationships**

**1: Uncovered Interest Parity**

**2: Fisher’s Real Interest Rate Hypothesis**

* Where in the medium-run, the real interest rate must account for the expected inflation to give a true idea of the purchasing power

**3: Nature of Inflation Expectations**

**4: Okun’s Law**

* Relating change in unemployment to the change in output growth rate

**Models**

**1: Output/GDP**

**2: IS-LM Model (Short-Run)**

**Monetary Expansion/Contraction (LM)**

* CB changing the Money Supply therefore, Interest Rate
* **Expansion**:
* **Contraction**:

**Fiscal Expansion/Contraction (IS)**

* Government changing the Budget Deficit
* **Expansion**:
* **Contraction**:

**3: IS-LM-PC (Medium-Run) Phillips Curve Derivation**

* As *t* approaches *n,* everything returns to its Natural Rate

**4: Labour Model (Medium-Run)**