231002 – Inflation – 8.1, 8.2

$\pi_t = \frac{P_t - P_{t-1}}{P_{t-1}}$	$\pi_t \approx \ln P_t - \ln P_{t-1}$
Measuring P:	
$GDP\ Deflator = \frac{GDP\ Nominal}{GDP\ Chained}$ CPI – U CPI excluding food & fuel Median CPI Trimmed Mean CPI	
Quantitative Theory of Money	
$M_t V_t = P_t Y_t$	$g_M + g_V = g_P + g_Y$
Classical dichotomy – definition and assumptions:	
Classical dichotomy – results:	
$P_t = \frac{\overline{M_t} + \bar{V}}{\bar{Y}_t}$	

231002 – Inflation – 8.3, 8.5

Currency: Money Base:		M1: M2:
Inflation	Deflation	Disinflation
Fisher Equation: $i = R + \pi$		TIPS
Costs and Benefits of Inflation		
Borrowers benefit from unexpected _____ because: Lenders benefit from unexpected _____ because: Disinflation is a problem because: From a lender's point of view, _____ inflation is best.		
Fiscal Causes of π Why do governments increase M if it causes π?		Gov BC: $G_t = Tax_t - Tr_t + \Delta B + \Delta M$
Seigniorage or inflation tax is:		Central Bank Independence
Monetizing the debt:		