231016 – Intro to the Short Run

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| **Motivating Questions**  Ch 9: How are short run output, inflation, and unemployment linked?  Ch 11: What is the relationship between interest rates and short run output?  Ch 12: How can a government use monetary policy to influence short run output?  Ch 13: How do we link monetary policy rules to inflation and unemployment? | | | |
| Output and growth in the long run are determined by: | | | |
| Output in the short run is determined by: | | | |
| Shocks describe: | | | |
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| When , the economy is in a \_\_\_\_\_\_\_\_\_\_\_ | | When , the economy is in an \_\_\_\_\_\_\_\_\_\_\_\_\_\_ | |

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| Price cycle (2 versions) | | | |
| Demand version  In good times, firms \_\_\_\_\_\_\_\_\_ prices  Inflation then \_\_\_\_\_\_\_\_\_  Demand \_\_\_\_\_\_\_\_\_\_\_ as prices \_\_\_\_\_\_\_\_\_\_\_  Firms \_\_\_\_\_\_\_\_\_\_\_\_\_\_ and hire \_\_\_\_\_\_\_\_\_ workers  Inflation then \_\_\_\_\_\_\_\_\_\_  Demand \_\_\_\_\_\_\_\_\_ as prices \_\_\_\_\_\_\_\_\_\_\_ | | Wage version  In good times, firms hire \_\_\_\_\_\_\_\_\_\_ workers  The labor market gets \_\_\_\_\_\_\_, and wages \_\_\_\_\_\_\_\_  Prices \_\_\_\_\_\_\_\_ in response to wages \_\_\_\_\_\_\_\_\_\_\_\_  Demand \_\_\_\_\_\_\_\_\_\_ as prices \_\_\_\_\_\_\_\_\_\_  Firms hire \_\_\_\_\_\_\_\_\_\_\_ workers  The labor market gets \_\_\_\_\_\_\_, and wages \_\_\_\_\_\_\_\_  Prices \_\_\_\_\_\_\_\_ in response to wages \_\_\_\_\_\_\_\_\_\_\_\_ | |
| Okun’s Law | | | |
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| Linking unemployment and Prices  High output \_\_\_\_\_\_\_\_\_\_\_\_ unemployment \_\_\_\_\_\_\_\_\_\_\_\_\_\_ inflation | | | |

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