Econ 101 - 8.1 - Macroeconomic Policy Revisited

Monetizing the Debt - When government borrows from its central bank to finance increased spending.
Phillips Curve - A curve that illustrates the inverse relationship between unemployment and inflation rates.
Stagflation - The stimulus occurrence of high inflation and employment.
Laffer Curve - The graphical representation of the idea that in terms of tax revenue there is an optimal tax rate; above or below this rate, tax revenue would be lower.
Deflation - A decrease in the overall price level.

Econ 101 - 8.2 - 20th Century

Say's Law - the proposition that "supply creates its own demand"; that is, production (supply) creates sufficient income, and thus spending (demand), to purchase the production (attributed to French economist Jean Baptist say).

The act of production (supply) requires the use of factors of production, which must be paid.
Such payments are in comes to those who supply the factors, and these incomes are subsequently spent.
This spending automatically creates enough demand to buy the supply.

Equilibrium occurs automatically and is in the normal state of affairs in a market economy.

In the neoclassical model, the level of real GDP is unaffected by changes in aggregate demand

Neoclassicists built their view on how the macroeconomy works on 4 pillars :
-Validity of Says law.
-The flexibility of prices.
-The flexibility of interest rates.
-The flexibility of wages.

Keynes saw the adjustment process in terms of a fall in production and employment rather than a fall in prices and wages.

Spending an aggregate demand lie at the heart of Keynesian analysis.

Derivative - A financial instrument whose value is derived from some other fixed return asset.
Investment Bank - A financial institution that assists corporations and governments in raising money by acting as their agent in selling new bonds to the public.
Hedge Fund - An unregulated investment fund that is open only to a limited range of investors who pay a performance fee to the fund managers.
Subprime Mortgage - A mortgage made to a borrower with a low credit rating that carries a higher interest rate than that charged to a conventional forward.