

Some Key Terms: Chapters 9-12

- productivity
- Real GDP
- Potential GDP
- diminishing returns
- technological change
- innovation
- diffusion
- human capital
- growth accounting formula
- money
- medium of exchange
- M1 and M2
- checking deposits
- money supply
- bank
- The FED
- Federal reserve banks
- financial intermediaries
- liability
- assets
- reserves
- monetary base
- excess reserves
- required reserves and the required reserve ratio
- open market operations
- velocity
- FOMC
- 3 functions of money
- equation of exchange (sometimes called the quantity equation of money)
- Inflation
- hyperinflation
- real business cycle theory
- consumption function
- marginal propensity to consume
- 45 degree line
- spending balance
- expenditure line
- relationship between income and GDP

- (Keynesian) multiplier
- aggregate demand
- monetary policy rule
- inflation adjustment
- target inflation
- FED funds
- real interest rate
- nominal interest rate
- expected inflation