Summary & Conclusions

Agenda

• Conclusions about Macroeconomics
  ➢ What we know
  ➢ Questions searching for better answers

Macroeconomic Conclusions

• What We Know
  ➢ In the long-run, a country’s standard of living is determined by its capacity to produce
  ➢ In the short-run, changes in aggregate demand influence a country’s production
  ➢ In the long-run, changes in the money supply influence inflation but not unemployment
  ➢ In the short-run, policymakers face a trade-off between inflation and unemployment

• Questions Searching for Better Answers
  ➢ How does a country raise its standard of living?
  ➢ Should policymakers try to stabilize the economy?
  ➢ How costly is inflation and how costly is it to reduce inflation?
  ➢ How big a problem are substantial budget and/or trade imbalances?