

ECON 2500

Review Topics II

Fiscal Policy: G, T or both

Discretionary

Expansionary

Contractionary

Non discretionary

Budget of F.E.

Built-in stabilizers

Balanced budget at (F.E.)

Crowding-out

Money

Functions

Measures

Demand for Money: Functions of money

Unit of account

Medium of exchange

Store of value

Federal Reserve System

Fractional reserve banking

Reserve Ratio

Money creation

Money multiplier

Multiple deposit expansion

Monetary policy tools

1. OMO

2. Reserve ratio

3. Discount rate/Federal funds rate

Velocity of money

$V = GDP/M$

Aggregate Supply and Aggregate Demand

Phillips Curve

Rational Expectations

Laffer Curve