

Epilogue

The Four Most Important Lessons Of Macroeconomics

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Lesson #1

In the long run, a country's capacity to produce goods and services determines the standards of living of its citizens.

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Lesson #2

In the short run, aggregate demand influences the amounts of goods and services that a country produces.

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Lesson #3

In the long run, the rate of money growth determines the rate of inflation, but it does not affect the rate of unemployment.

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Lesson #4

In the short run, policymakers who control monetary and fiscal policy face a tradeoff between inflation and unemployment.

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The Four Most Important Unresolved Questions of Macroeconomics

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Question #1

How should policymakers try to raise the economy's natural rate of output?

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Question #2

Should policymakers try to stabilize the economy?

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Question #3

How costly is inflation, and how costly is reducing inflation?

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Question #4

How big a problem is government debt?

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