

Chapter 12

ECO 2013

Core Principles

Cost-Benefit Principle - the chapter discusses the costs and benefits of auction markets.

Equilibrium Principle - the chapter looks at how changes in markets lead to the market-clearing price.

Efficiency Principle - the chapter discusses recessions as inefficient, that is, reducing the total economic "pie."

Important Concepts Covered

- Recession/depression
- Peak/trough
- Expansion/boom
- Potential output
- Output gap
- Recessionary and expansionary gap
- Natural rate of unemployment
- Okun's Law