

Chapter 13

ECO 2013

Core Principles

Cost-Benefit Principle - this chapter looks at the costs and benefits of price changes (changes in sales versus menu costs).

Equilibrium Principle - the chapter develops the short-run equilibrium condition in the basic Keynesian model.

Important Concepts Covered

- Menu costs
- Planned aggregate expenditures
- Consumption function
- MPC
- Autonomous and induced aggregate demand
- Short-run equilibrium output
- Income-expenditure multiplier
- Stabilization policies
- Expansionary/contractionary policies
- Automatic stabilizers
- Wealth effect