

# *Chapter 6*

## *Core Principles*

**Cost-benefit Principle** - the chapter looks at the costs of inflation relative to the benefits of alternative strategies to deal with it.

**Equilibrium Principle** - the chapter links price changes to the changes in supply and demand discussed in chapter 4.

## *Important Concepts Covered*

- Consumer price index
- Rate of inflation/deflation
- Nominal versus real
- Fisher Effect