

CH. 30

ad ~~supply~~ aggregate

Aggregate demand and Aggregate supply

$$AD = C + I + G + X_n$$

* What is the effect of prices on AD and why?

1

if P increase the purchasing power decreases and therefore consumption decreases

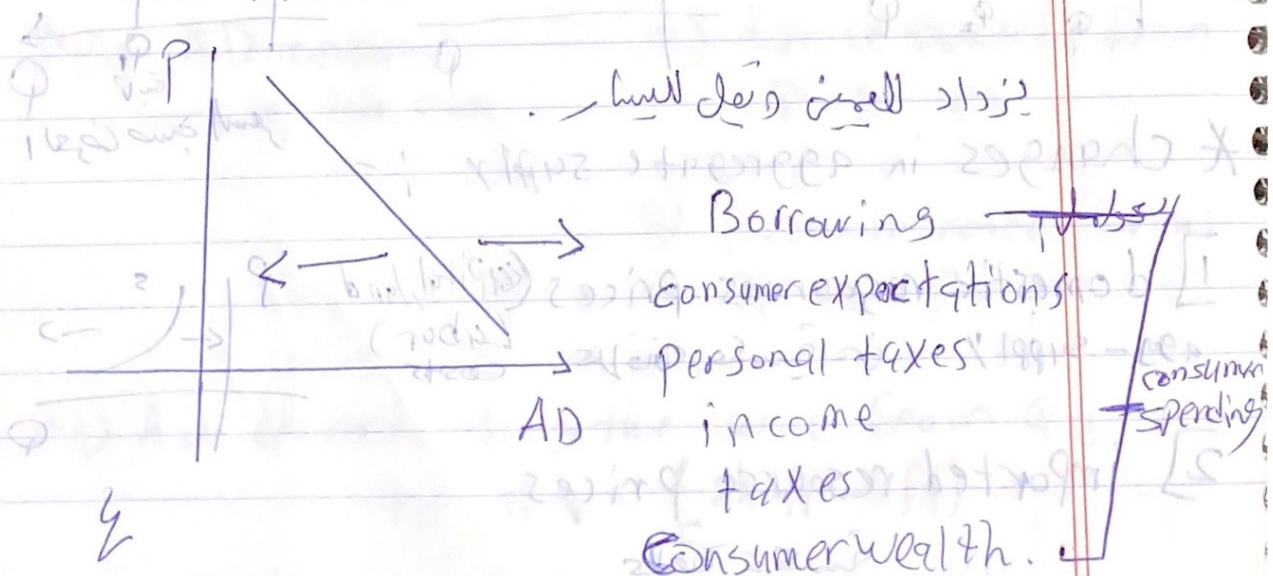
2 Exports: Net exports decreases, AD decrease

$X_n = X - M$; X decreases

M increases } $X < M$

X_n decreases

3 When prices increase, interest rate increase and thus investment decreases.



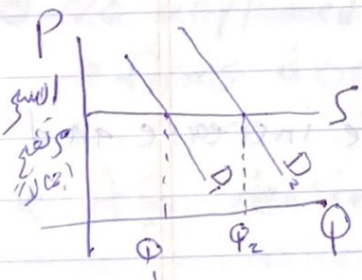
* G is constant, if G increase then AD increase
 G decrease / / / decrease

- * investment :-
- 1 interest rate
 - 2 expected return
 - 3 business taxes
 - 4 degree of excess capacity
 - 5 technology

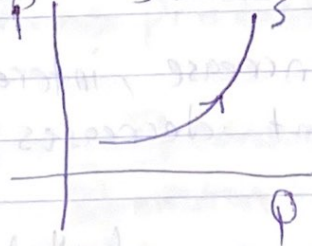
* Aggregate supply :-

- 1 immediate-run
- 2 short-run
- 3 long-run

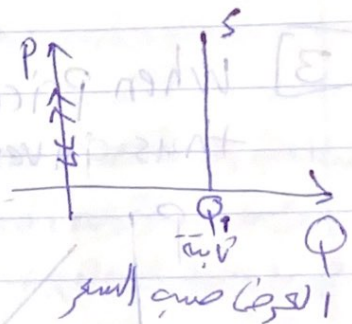
↓
 الفرض يكون متغيرا



↓
 Labor is variable
 and capital is fixed

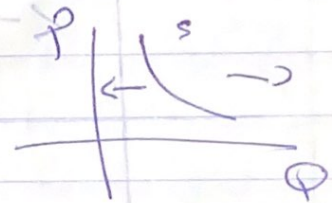


↓
 Labor and capital
 are variable



* changes in aggregate supply :-

- 1 domestic resources prices (capital, land, labor) costs



- 2 imported resource prices

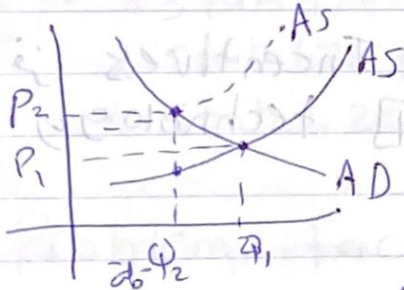
AD, AS - دالة العرض
 دالة الطلب

3] Productivity :- علاقة عكسية

4] legal institutional environment :- taxes, subsidies
 government relationship

* Equilibrium in the AD-AS model.

① :- إذا زادت العريضة
 على السلع!



* زيادة العريضة!

↑ P
 ↓ Q
 العرض والكمية

1) shift supply curve
 to the left

↑ P :- AD movement
 along the curve

2) decrease quantity from
 Q_1 to Q_2

3) prices increases from
 P_1 to P_2

4) AD decrease along the curve from Q_2
 to Q_1 (shift-left).

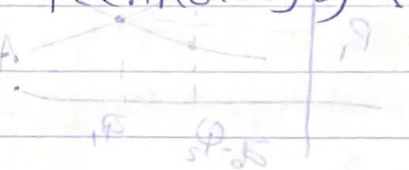
① menu costs ② wage contracts ③ minimum wages

* issues prevents business from reducing prices!!

→ ④ moral hazard, ⑤ efforts productivity
⑥ fear of price wars.

- shift down AS

1] the cost of production / 2] Incentives (مؤثرات)
3] the structure of the economy / 4] technology



" CH. 3 "

ادرسه

Fiscal policy, deficits and debt government.

* if deficit increases then debt increases.

* Fiscal policy consists of 1-

1] Government expenditures G .

2] Taxes T .

To :- * stabilize the Economy.

* stabilize the unemployment rate.

* stabilize the inflation rate.

* Problems facing any economy :-

1] inflation, 2] unemployment, 3] recession/depression.

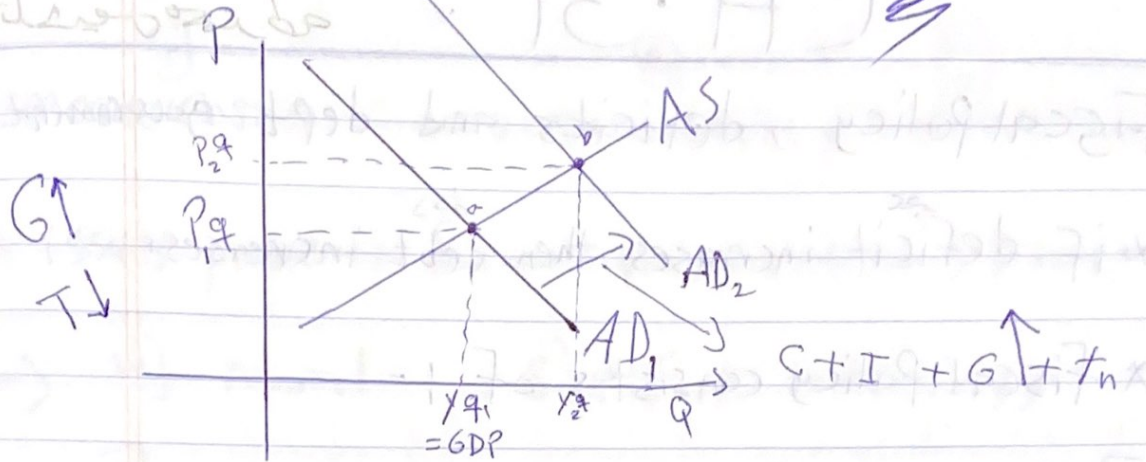
$$* GDP = C + I + G + X_n$$

(X_n, C, I) و T, G و C, I, X_n و T, G و C, I, X_n

* if we have a recession, what government can do to stabilize the economy?

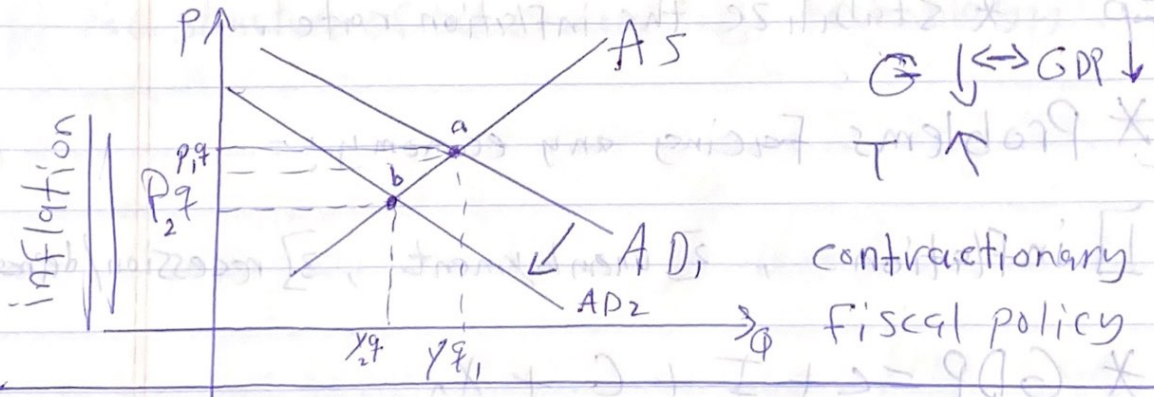
increase in G or/and decrease in T .

GDP increases (Expansionary fiscal policy).



* Contractionary fiscal policy :-

G decreases, T increases
 at the end GDP declines \Rightarrow Inflation rate



* if $G > T$; Budget deficit
 if $G < T$; Budget ~~deficit~~ surplus
 if $G = T$; Budget balance

* Expansionary fiscal policy :- $G \uparrow, T \downarrow, GDP \uparrow, output \uparrow$
 recession
 $unemp \downarrow, P \uparrow$

تعالج جزئياً



CH. 32

الواجب القرائي

1

* Built-in stability :-

وصفنا
للشركات، 20، الوطني، 40%

1] Progressive income taxes.

نسب الفئات

* if income increases then tax rate increases
and vice versa.

2] Proportion tax rate:

نسبة ثابتة

3] regressive taxes:

النسبة تقل كلما تزايدت
وإذا التقل تزايدت النسبة تقل.

* Problems, criticisms and complications of
implementing fiscal policy :-

1] Problem of timing: delay for recognition of problem
and administrative delay,
operational problem, inefficient solution

اعتبارات سياسية

2] Political considerations :-
التفكير في العوائد الناتجة فيما يتعلق
بالسناد بين الأفراد والجماعات المنظمة التي تؤدي إلى
Political Business cycle.

3] Future political reversals :-

التعكبات السياسية لها
المستقبل.

4] offsetting state and local finance

موازنة الدولة والتمويل المحلي

5] Crowding out effect :- الحكومة بعد مشروعي تزام في القدر المتساوي :-

if G increases then private investment decreases.

~~if~~ G increase \leftarrow decrease in I \therefore GDP reduces

6] current thinking on fiscal policy :-

monetary policy is more efficient.

* $G \downarrow, T \uparrow, GDP \downarrow, AD \downarrow$

الانكماشية

UnEMP \uparrow , output \downarrow

demand-pull inflation

* increase in G = decrease in I

لا يوجد تأثير

CH. 32 المصارف والمؤسسات المالية

Money Banking and financial institutions.

Money المال

- 1] Assets 2] Medium of exchange وسيلة تبادل
- 3] acceptable 4] unit of account وحدة حساب
- 5] ^{تخزين القيمة} store of value; but purchasing power declines due to inflation.

* Bartering التجارة البضائية ⇒ لتم تسوية وجودة
double coincidence / heaviness / time cost / Valuation. سبب
coincidence.

* liquidity سولة - تحويل السلعة إلى كاش (السيولة)

* The components of the money supply :-

- 1] M1 :- contains :- a) cash in circulation السيولة
currency (coins + papers),
b) checkable deposits.
- 2] M2 :- contains :- a) M1 / b) saving deposits

c] time deposits . الودائع التي يربطها مع الرض

d] money market mutual funds . صناديق الاستثمار ، فإيوة ابلد .
(فيلد بان تقود الرض)

* Value of money :- 1] legal tender .

2] acceptability

3] scarcity

* Money and prices :- if ~~money~~ prices

increase then value of money decreases ,
purchasing power decreases

$$V = 1 / P \quad \text{:- where } V \text{ is value of money and } P \text{ is price}$$

* Main functions of the central bank :-

1] issuing money :-

2] supervising bank

3] setting reserve requirement and holding reserves

4] lending to financial institutions and serving as an emergency lender as the last resort.

* Discount rate :- interest paid by commercial banks to central bank (DR).

* Federal fund rate :- is the interest paid by commercial banks to other commercial banks (FFR)

$$* \boxed{DR > FFR} *$$

5] providing for check collection.
توفير تحصيل الشيكات.

6] acting as a fiscal agent
تصرف مالي

7] controlling for money supply.
السيطرة على العرض النقدي.

* Seigniorage :- الارباح التي يحصلها البنك المركزي
لما تطبع العملة.