Class Outline (prepared by Edinaldo Tebaldi, TA)

Homework assigned (HW 12, see web site)

Outline

Real and Nominal Interest rate _ IS-LM, AD, AS
   a) The Fisher Hypothesis
   b) Real and nominal interest rate in the short-run and Medium-run

Questions:

i) What is the present discounted value?
ii) Why are we talking about present discounted value?
iii) What are dividends?
iv) What is the difference between Vt and $Vt?
v) Which interest rate (real or nominal) enters into the IS curve? Why?
vi) Which interest rate (real or nominal) enters into the LM curve? Why?
vii) Does the FED has control over the real interest rate in the short-run? Medium-run?
viii) What is the Fisher Hypothesis?
ix) Do we expect that the Fisher Hypothesis holds in the short-run? In the medium-run?
x) What is the opportunity cost of holding money?