Mgt 704: Economics for Managers
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What Did I Learn in Macroeconomics That Should Help Me?

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1. Decisions should be made based on the real rate of interest rather than the nominal or market rate of interest. The real rate of interest is basically the market rate of interest adjusted for the expected inflation rate. Since the expected inflation rate is unknown, if you think it is going to be high you feel that the real rate is going to be low and, therefore, you should be a borrower. Alternatively, if you expect inflation to be low, you expect the real rate to be high so you should be a lender.

2. Although there is a business cycle, the economic system is inherently stable. Durable goods tend to be more volatile than non-durable goods, so that producers of durable goods have to assume a more defensive position than non-durable goods producers.

3. Inflation is caused by too much money.

4. All interest rates do not move together. Often an increase in the money supply will cause short term rates to fall, but long term rates to increase.

5. Because of lags, the government has only a limited capacity to stabilize the economy.

6. There is no long term trade-off between inflation and unemployment.

7. We have every reason to believe that there will continue to be growth in both national income and per capita income. Household income is strongly affected by the composition of the household with single parent households having low incomes and dual income households having high incomes.