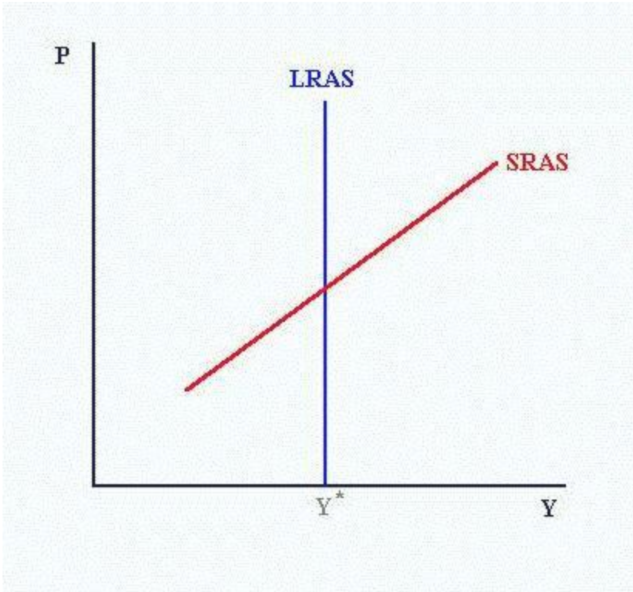
Here’s some stuff that will be helpful with Friday’s test:



Long Run Aggregate Supply Curve (LRAS) has several names and represents all of these ideas:

1. Full Employment curve
2. Natural Rate of Unemployment or Natural Rate of Employment
3. Natural Rate of Output

“Inflation Expectations” affect both the AD and AS curves. Here’s a couple of examples:

- Effect on AD: If consumers expect higher prices in the future, they spend their money sooner than later. AD increases (shifts right)

- Effect on AS: If producers expect lower prices, then they will set the wages they pay their employees lower. These lower wages will cause producers to supply more goods and services because they expect their costs to be lower. AS increases (shifts right)

FEDERAL RESERVE

The Federal Reserve’s main tool for affecting the money supply is Open Market Operations, which means buying and selling bonds. When the Fed sells bonds, it decreases the money supply (or you could say it **sucks** in the money). When the Fed buys bonds, it increases the money supply (or you could say **barfs** out the money).