

## Learning Objectives

### Chapter 30

#### **In this chapter you will**

- See why inflation results from rapid growth in the money supply
- Learn the meaning of the classical dichotomy and monetary neutrality
- See why some countries print so much money that they experience hyperinflation
- Examine how the nominal interest rate responds to the inflation rate
- Consider the various costs that inflation imposes on society

#### **You should be able to**

- Demonstrate the link between money and prices with the quantity equation
- Explain why money has no impact on real variables in the long run
- Explain the concept of an inflation tax
- Show the relationship between the nominal interest rate, the real interest rate, and the inflation rate
- Explain who gains and who loses on a loan contract when inflation rises unexpectedly