2.3 Inflation

**Objectives:**

**Students will be able to:**

* Explain the calculation of price indices- GDP deflator, consumer price index (CPI), and producer price index (PPI).
* Use price indices to calculate real wages and real interest rates.

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| Definition:   | Inflation  |
| Who is generally helped by inflation? Explain. Who is generally hurt by inflation? Explain.  | Is inflation good or bad?  |
| How are interest rates determined?  | Interest rates |
| Definition: Use NCEE Activity 13 to help you understand how CPI is used to measure inflation. | Consumer Price Index |
| 1.
2.
 | Problems with CPI |
|  |  |
| Definition: How is it calculated?  | GDP Deflator |
| 1.
2.
3.
 | Causes of Inflation |