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 |
|  | Problems with CPI |
|  |  |
| Definition:  How is it calculated? | GDP Deflator |
|  | Causes of Inflation |