Key Historical Events Affecting the United States:

1913: Establishment of the U.S. Federal Reserve System
1929--1939: U.S. Great Depression
1933--1945: Franklin D. Roosevelt Administration
1941--1945: U.S. Participation in World War II
1944: The Bretton Woods Agreement (establishment of the World Bank and the International Monetary Fund)
1945: Establishment of the United Nations
1945--1952: Truman Administration
1946: U.S. Employment Act (e.g. Council of Economic Advisors created)
1952: U.S. Price Stabilization Act
1950--1953: Korean War
1953--1960: Eisenhower Administration
1961--1968: Kennedy-Johnson Administrations (Civil Rights Movement Begins)
1966--1974: Vietnam War Years and Continuation of Civil Rights Movement
1971: Breakdown of the Bretton Woods Agreement on Fixed Exchange Rates
1977--1980: Carter Administration
1979: Second Oil Price Shock
1981--1988: Reagan Administration
1981--1982: Most Severe U.S. Recession Since Great Depression
1993--2000: Clinton Administration

A quick review of useful Economics concepts:

**Distinction Between "Nominal" and "Real":**

"Nominal" = Values measured using current prices
"real" = values measured using constant (e.g. base year) prices.
Real value measurements are thus measurements that attempt to reflect quantity amounts, controlling for possible changes in prices.

**Nominal Gross Domestic Product (GDP) for an Economy in Period T:**
Total value of final goods and services newly produced within the borders of the economy during time period T, measured in time period T prices.

**Real GDP for an Economy in Period T (Traditional Measure -- pre-1995):**
GDP for the economy in time period T measured in prices for some fixed base time period (e.g., 1992)

**Growth Rate for Any Variable X From Period T to Period T+1:**
Let \( X(T) \) = Value of X at the beginning of time period T and \( X(T+1) \) = value of X at the beginning of time period T+1. Then
Growth Rate of $X$ from $T$ to $T+1$ = \((100 \text{ Percent}) \times \frac{X(T+1) - X(T)}{X(T)}\)

**Business Cycle:**
Recurrent fluctuations that occur in the time series data for real GDP and other key macro variables.

**Recession:**
The time interval from peak to trough for real GDP in a business cycle (i.e., the time during which real GDP is declining).

**Aggregate Price Level for an Economy in Period $T$:**
A measure of the AVERAGE price of goods and services in the economy during time period $T$.

**Inflation Rate from Period $T$ to Period $T+1$:**
Given some measure for the aggregate price level in time period $T$, say the GDP deflator $P(T)$, the inflation rate $\text{Inf}(T,T+1)$ is the percentage rate of change in this price measure from time period $T$ to time period $T+1$. That is, $\text{Inf}(T,T+1) = (100 \text{ percent}) \times \frac{P(T+1) - P(T)}{P(T)}$.

**Key concepts in this chapter:**

**Financial instrument/Security:**
A financial instrument (also called security) is a claim on the issuer’s future income or assets.

**Interest rate:**
The cost of borrowing, or the price paid for the rental of funds.

**Bond:**
A bond is a debt security that promises to make payments periodically for a specified period of time.

**Common stock/ stock:**
A share of stock is a claim on the earnings and assets of the corporation.

**Financial Intermediary**
Financial intermediaries (FIs) are institutions that borrow funds from people who have saved and make loans to other people.

**Monetary policy:**
Monetary policy is the management of the money supply and interest rates conducted in the U.S. by the Federal Reserve Bank (Fed).