**ECN100 -Review for Final Exam, Macro**

* There will be 50 multiple choice questions (please check and recheck your choice answer),
* Bring simple calculator and PENCIL #2.
* You may bring a one-page note, in your own handwriting (not a computer printout), and in normal size (not in “fine-print”).
* NO use of cellphone, nor laptop, nor ipad, is allowed.
* Review the materials that cover Macroeconomics, starting from GDP (after the Midterm); the examples in the powerpoint slides, and all the exercises/homeworks.
* While you study, focus on the following concepts, below (and anything surrounding it).
* Study well and Enjoy the rest of the summer!

List of Terms:

1. Business cycle (expansion and contraction; peak, trough)
2. Unemployment (types, natural rate)
3. Calculating Nominal GDP and Real GDP (3 goods); Per Capita GDP; and Inflation
4. Rule 70, Accounting for Growth
5. Productivity (and the factors that drive it)
6. Convergence and divergence
7. Nominal and Real interest rate
8. AD-AS: negative and positive shocks (Demand or Supply); examples of each case.
9. Stagflation, Okun’s Law
10. Debt deflation tax
11. Money (fiat, gold-backed, commodity); MB, M1. Multiplier
12. Fed’s open market operations (purchasing and selling T-bills)
13. Recessionary gap and inflationary gap, and what policies (expansionary or contractionary) to close the gap
14. Housing market: effect on AS-AD; or MD-MS
15. Govt Spending: effect on AS-AD
16. Change in Nominal Wages: effect on AS-AD
17. Govt Budget Balance: T-G-TR (during crisis?)
18. Debt-GDP Ratio
19. Zero bound interest rates, QE
20. money neutrality (why in the Long Run, Money is “Neutral”)
21. discount rate and federal funds rate
22. Glass-Steagall Act, Dodd-Frank Act
23. What drives currency depreciation and appreciation
24. Appreciated currencies: positive and negative impacts
25. 99ers, unemployment benefits: positive and negative
26. 1930s and 2008 (similarities and differences)

**Example Questions**

1. Suppose South Korea’s per capita GDP is $25,000 and its growth rate is 3.5% per year, and China’s per capita GDP is $4,000, and growth rate of 7%. How many years will it take China to be larger than South Korea in terms of per capita GDP (*cet.par.*): (use rule 70)

a. 70 to 80 years

b. 60 to 70 years

c. 50 to 60 years

d. 40 to 50 years

2. A trough in a business cycle is:

1. a very deep and prolonged economic downturn
2. a period in which output and employment are rising
3. a point where an economy is about to rebound for recovery
4. a period between economic upturns and downturns.

3. If the economy grew at a 3% rate this year and average prices grew \_\_\_\_\_, people would be better off on this year compared with last year.

a) 3% b) faster than 3% c) slower than 3% d) faster than 10%

4. A decrease in the aggregate price level will affect the real money demand curve as follows:

a) shift to the left

b) shift to the right

c) movement along curve to the left

d) remain the same

5. There is an increase in government spending that goes to the homeland security,

a) aggregate demand curve will shift left

b) aggregate demand curve will shift right

c) aggregate supply curve will shift left

d) aggregate supply curve will shift right

6. If a country experiences a trade surplus, we can conclude that it is also experiencing:

a) a budget surplus

b) a net capital outflow

c) a net capital inflow

d) a budget deficit

7. Which of the following represent the three consequences of the decline in demand during the Great Depression?

a) rise in prices, decline in output, a surge in unemployment

b) fall in prices, decline in output, a surge in unemployment

c) rise in prices, increase in output, a surge in unemployment

d) fall in prices, increase in output, a surge in unemployment

8. The government budget balance

1. tends to decrease during recession
2. ends to decrease during expansion
3. tends to increase during recession
4. tends to remain constant all time

9. The government will \_\_\_\_\_\_ to “cool off” an economy from inflationary gap, and the result will be \_\_\_\_\_\_\_\_\_\_.

a) increase the money supply; AD shift left

b) reduce the money supply, AD shift right

c) increase the money supply, AD shift right

d) reduce the money supply, AD shift left

10.An economy will experience a liquidity trap when the Fed:

a) refuses to expand the money supply, even though there is an increased demand for money

b) refuses to expand the money supply, in order to raise nominal interest rates

c) finds that it cannot reduce nominal interest rates, even if it engages in open-market purchases