

LIST OF TOPICS COVERED BY THE MID-TERM EXAM

- **Definitions of key macroeconomic variables**
 - *Main features of the US economy*
 - *GDP: definitions; Real GDP vs. Nominal GDP.*
 - *Labor market indicators: employment, unemployment rate, discouraged workers, labor force, participation rate,*
 - *Price level and inflation: definitions and measures; GDP deflator vs. CPI.*
- **Output determination in the short-run**
 - *The composition of output.*
 - *Definition of aggregate demand.*
 - *The consumption function*
 - *The determination of output in the short-run: the propensity to consume, the multiplier effect and the equilibrium level of output.*
 - *The paradox of thrift*
- **Money and financial markets**
 - *Definition of money and the hierarchy of money.*
 - *The broad money aggregate (M2)*
 - *Money creation*
 - *Bonds and interest rates; the risk premium; determination of the interest rate on a risky bond.*
 - *Central Bank and monetary policy: the Central Bank balance sheet; how and why the Central Bank conducts monetary policy.*
 - *Bank runs and the Central Bank as a lender of last resort*
 - *The stock market: definition of firm shares and determination of their price; stock market indices.*
- **The IS-LM model**
 - *The investment function*
 - *The IS curve*
 - *The LM curve*

- *The IS-LM model: determination of equilibrium output; definition of fiscal/monetary contractions/expansions; policy evaluation using the IS-LM model.*
- **Wage determination**
 - *what are the factors that influence the nominal wage that emerges from wage-setting, and why.*
- **Price determination**
 - *the production function and the marginal production cost:*
 - *how firms set prices according to a mark-up; why the price-setting process determines the real wage.*
- **The natural rate of unemployment**
 - *definition;*
 - *how it is derived;*
 - *what are the factors that influence its value and why.*
- **The Phillips Curve**
 - *definition;*
 - *how it is derived;*
 - *what are the factors that influence the inflation rate and why;*
 - *how different assumption about inflation expectations yield different types of Phillips curves.*