**July 29 ( Saturday 9 am --- 11 am)**

Calculator (yes)

Closed book

Cover second-half semester

* Public good
* GDP
* CPI
* Unemployment
* Production and Growth
* Saving and Investment
* Trade

20 MC; 4 SAs 15 pts each (Public good, GDP, S and I, Trade)

Prepare: Homework + Slides (book) + In class exam

Public good:

the features of different goods, free rider, tragedy of common resources, the role of government. Computation (derive market demand and social benefit curve, social optimum, market equilibrium, DWL, club goods).

GDP

GDP definition, whether a transaction contribute to GDP or not, GDP accounting (C I G NX meaning), total expenditure == total income, Nominal and Real GDP, GDP deflator and its feature, inflation rate, flaws

CPI

The computation, the difference between CPI and GDP deflator, flaws, nominal vs real interest rate.

Unemployment

The composition of population (labor, not in the labor), composition of labor (employed and unemployed, the definition), not in labor (discourage worker, others), unemployed (natural, cyclical), natural (frictional—short term, and structural—insufficient jobs, reason). Computation of u-rate lp-rate. Flaw

Production and Econ Growth

Productivity (Y/L), GDP per person (Y/pop)

Determinants of productivity (saving/capital, population, etc), Diminishing return --- catch up effect, saving have no effect on long-run growth

Financial system, saving and investment

Important financial institutions (how to connect savers and borrowers)

Difference between bond and stock

Difference between savings and investment

Market for loanable fund: (supply: national saving, demand: investment, price: real interest rate) National saving == investment

The effect of gov policies on D/S and equilibrium

Trade

Absolute and comparative advantage

Where does gain from trade come from

PPF

Computation