

## Midterm Review: Big Picture

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- ▶ Stuff we learned
  - Ricardian model: autarky prices, prices at which trade occurs, real wages, pattern of specialization, pattern of trade, winners and losers, etc.
  - Trade imbalances, connection with national savings and investment, open-economy loanable funds equilibrium. Connection with Chapter 3 concepts.
  - **NO** monopolistic competition model, ignore those questions on practice midterms.
- ▶ Long-form questions questions will look like this:
  - Example: Policy “x” is this, what do you think?
  - Could be a lot of answers. But the key to doing well is using tools/concepts we have discussed to answer the question
  - A good response: Policy “x” in the Ricardian model implies . . .
- ▶ Format: 10 multiple choice. 2 long-form questions.

## Cumulative Elements

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- ▶ Will be a “TFP-like” question on exam. Something changes, how does it affect production, factor prices, expenditure components.
- ▶ But will ask questions about how an open economy ( $NX \neq 0$ ) and how it things change.
- ▶ If you score better on this relative to the “TFP-like” question on the first midterm, you get the Midterm 2 score.

## How to Prepare I

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- ▶ In class exercises, problem set, practice midterms, questions posed in slides.
- ▶ Slides
- ▶ Notes and Book for Trade Imbalances (Chapter 6-1 and 6-2).
- ▶ Blog
- ▶ See me if you need help

## How to Prepare II

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### Things to keep in mind

- ▶ First, read through the whole exam. Where are all the points? How should I allocate my time?
- ▶ Many times, the “essay” part of a question can be answered without having done the computations. If you get stuck on a computation, don’t give up on the whole question.
- ▶ Before you begin an essay question, sketch the answer in the margin, or on a scrap piece of paper. A few keywords in the order you would like to address them is usually enough.

**This may keep you from digressing, which wastes your time and waters down your answer.**

## Details

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- ▶ Start  $\approx$  3:30, so be on time!
- ▶ It will take 75 minutes.
- ▶ You can use one sheet of notes: letter paper, both sides, any size type you like.
- ▶ You may also use a calculator, but may not use any device capable of wireless transmission. Proximity to any such device during the exam will be treated as a violation of the honor code.