Review for Final

1. Economics General Overview:
   1. Systems of ownership: Resource Allocation and resource ownership (market/command and private/state)
   2. Advantages and disadvantages of Capitalism and state ownership
2. Business Cycle:
   1. The up and downs (recession/depression/expansion/peak)
   2. Know what goes with them: recession and unemployment; expansion and inflation; hyperinflation; stagflation
   3. Circular flow: households/firms (businesses) and factor/product markets
3. Basics:
   1. Supply, demand, ceilings/floors
   2. Positive v. normative economics
   3. Macro-economics: what it addresses
   4. Opportunity cost, scarcity
   5. PPF
4. Economists: (possible multiple choice question about who was behind what)
   1. Classical model: Smith, Says Law
   2. Keynes
   3. Classical Liberalism: Von Mises, Hayek
   4. Monetarists: Friedman
   5. Demand v. Supply side (determines what policy attacks in order to “fix” the economy)
5. GDP:
   1. Calculate by expenditure approach and what goes into each item
      1. Investment = inventory investment; new home construction; profit in the resale of an asset
      2. Net Exports: Exports – imports
   2. Income approach:
      1. Wages: salary, consumer income
      2. Profits: expenses – income
      3. Rent
      4. Interest
   3. Real v. Nominal GDP (nominal/price index = real); percentage difference between wage, GDP, interest rates = (nominal – base/base) X 100
   4. GNP = GDP + income from domestic workers abroad
   5. Final vs. intermediate goods
   6. Problems with
   7. Growth Rate: calculate REAL GDP for nominal 1st
      1. (real GDP current year – real GDP previous year)/real GDP previous year X 100
6. Price Indexes:
   1. CPI is most common: what are it’s disadvantages?
   2. Calculate:
      1. Real when given Nominal = nominal /base X 100
      2. Basket of goods: quantity (of base basket) X price
7. Inflation:
   1. Current CPI - Base CPI/Base CPI X 100
   2. Deflation, hyperinflation, stagflation (high inflation and high unempl.)
   3. Calculating value (base price X inflation = real value)
   4. What is it? (purchasing power)
   5. Anticipated vs. unanticipated: hurts, helps who
   6. Cost push/Demand pull (basic definition)
   7. Phillips Curve:
      1. Relationship between unemployment and inflation (can’t have both…)
8. Interest rates: nominal vs. real
9. Employment:
   1. Types of unemployment
   2. Define work force, labor force, unemployed, not in work force, and not in labor force
   3. Calculate participation rates (work, labor); employment and unemployment rate
   4. Full employment
   5. Wages: real and nominal
   6. Problems with how we measure it
   7. Causes/impact of unemployment
10. Growth: indicators/benefits
    1. How measured
    2. Factors (4: system of prop rights; educated pop; creative destruction; limit protectionism)
11. Aggregates supply and demand: LOOK AT POWER POINT SAMPLE PROBLEMS
    1. AD: shifts, movements, what it measures
       1. Consumption expenditure, gov. spending, investment expenditure, import spending
       2. Price level vs Real national income or expenditure
    2. AS: classical v. Keynes
       1. SRAS
       2. LRAS
    3. Equilibrium
12. Consumption:
    1. Consumption and savings relationship
    2. 45° reference line and consumption function (aggregate expenditure)
    3. Autonomous consumption
    4. APC/APS
    5. MPC/MPS
    6. Multiplier
    7. Shifts in consumption function
13. Fiscal and Monetary Policy:
    1. Inflationary vs. recessionary gaps
    2. Fiscal Policy -
       1. Stabilizers
       2. Problems
       3. Expansionary vs. Contractionary policy (recession/unemployment vs. inflation)
       4. Taxes: marginal vs. average; types
          1. Role in fiscal policy
             1. Laffer curve
             2. Ricardian Equivalence Theorem
             3. Paradox of Thrift
       5. Government Spending: role in policy
       6. Different multipliers: taxes and spending
       7. Deficit Spending:
          1. Crowding out and loanable funds market
    3. Monetary Policy:
       1. Money – what is it (properties, definition, history)
          1. Measuring the money supply
       2. Banking – balance sheet
          1. Purpose
       3. Federal Reserve: central bank
          1. What is their purpose/what do they do?
          2. Fractional Reserve Banking:
             1. Required reserves, required reserve ratio, excess reserves
             2. Define, calculate
          3. Expansionary vs. contractionary policies
             1. Money supply or interest rates

Purchasing vs. selling bonds

Money multiplier and money in circulation

* + - 1. Target interest rate and Taylor Rule
      2. Rates: Direct, Fed Funds
      3. \*\*\*\*Equation of Exchange formula: measuring how many times a dollar is spent, on average, in a year (we will cover : money supply not in banks X velocity of times money is spent in economy = real GDP X price level)
         1. Quantity Theory of Money and Prices: changes in money supply leads to equiproportional changes in price level