ECON131
Principles of Macroeconomics
Spring 2012
Final Exam Review

Prof. Hui He

Date: May 11 (Friday), 9:45am-11:45am, BUSAD A102, close book, calculator recommended

Format:
- 20 multiple choice questions (20*2=40 points)
- 2 short questions (2*10=20 points)
- 2 long questions (2*20=40 points)
- 1 bonus question (15 points)

Material Covered
- Chapter 11-14 in textbook

Key Points
1. What’s the difference of multiplier without tax (or with fixed tax) and with variable income tax? (Page 223-225 and question 1-2 on page 234)
2. How can we use fiscal policy to fight unemployment or inflation? (Page 226-228 and question 3-4 on page 234 and question 1-2 on page 240)
3. What is the money? What serves as the money? How to measure money? (Page 242-248)
4. The money creation process and the money multiplier (Refer to the Figure 12-3 and the example on page 252-256, and question 1-3 on page 260)
5. What are the three major tools of monetary policy? (You should know how to use T-account to show the effect of OMO, see Table 1 on 267 and Table 2 on page 269 and question 2-3 on page 275)
6. The transmission mechanism of monetary policy. (Page 271-273 and question 5 and 7 on page 275)
8. The different view of monetary policy: Keynesian approach vs. Monetarism approach. (see point 8 on page 295)
9. Dilemma of the monetary policy: cannot control money supply and interest rate simultaneously. (Page 284-287 and question 3 on page 296)

Thank you for a wonderful semester! Good luck!