

Review for the Final Exam

The final exam will cover Lectures 8 through 14.

The best way to study for the exam is to review the Homework sets. Another good way to prepare is to make sure you understand the concepts that we discussed in those lectures, so make sure you understand the terms listed below.

Terms to know

- business cycle
- expansion
- recession
- cyclical unemployment
- natural rate of unemployment
- discouraged workers
- efficiency wages
- structural unemployment
- frictional unemployment
- demand for liquidity
- money supply
- required reserve ratio
- discount rate
- open market operations
- transactions motive
- speculation motive
- nominal interest rate
- real interest rate
- observed inflation rate
- expected inflation rate
- quantity theory of money
- real money balances
- Fisher Equation
- monetary neutrality
- classical dichotomy
- aggregate output
- aggregate income
- saving
- investment
- consumption
- disposable income
- taxation
- government purchases
- marginal propensity to consume
- marginal propensity to save
- inventory investment
- planned investment
- actual investment
- planned aggregate expenditure
- disposable income
- government spending multiplier
- tax multiplier
- automatic stabilizers
- expansionary fiscal policy
- contractionary fiscal policy
- expansionary monetary policy
- contractionary monetary policy
- crowding out effect
- “crowding the interest rate”
- aggregate demand
- aggregate supply
- cost-push inflation
- demand-pull inflation
- Phillips Curve
- Long-Run Phillips Curve
- natural rate hypothesis
- supply shocks
- sacrifice ratio
- adaptive expectations
- rational expectations
- disinflation