1) Give examples of contractionary and expansionary fiscal policy. Which would government want to use if the economy seemed to be entering a recession?
2) Give examples of contractionary and expansionary monetary policy. Which would government want to use if the economy seemed to be entering a recession?
3) Give two examples of “growth policies”
4) What are two other terms for “recession? - for “expansion”
5) What is productivity growth, and what might cause it?
6) Productivity typically falls (or grows very slowly) when an economy enters a recession. Give two competing explanations for the reason(s) why.
7) What are some important differences between common stock and bonds?
8) When were the last three recessions?
9) What typically happens to unemployment over business cycles - and why?
10) What typically happens to inflation over business cycles - and why?
11) What is wrong with this statement: “GDP equals the value added of final goods and services produced at each stage of production, added together?”
12) What is GDP and how does it relate to GNP?
13) Are entire price of tires sold at Costco included in GDP?
14) An increase in crime causes people to buy more guns, hire private security guards, pay more for medical care (after they have been attacked), and purchase more burglar alarms. How is GDP affected? (assume this increased spending does not decrease spending on other items).
15) An increase in pollution causes people to buy more air and water filters (assume this increased spending does not decrease spending on other items). How is GDP affected?
16) Rich people decide to take care of their own homes, rather than hire maids and butlers. How is GDP affected?
17) A breakdown in the financial sector causes a major recession/depression that causes factories to close and unemployment to rise. How is GDP affected?
18) You sell your used car to a friend for $2,000 – does this affect GDP, and if so how?
19) You sell your used car to a dealer for $2,000, and the dealer resells it for $3,000 – does this affect GDP, and if so how?
20) You purchase $10,000 worth of corporate bonds and pay a broker $20 to do this for you. Is GDP affected?
21) How does net national product compare with gross national product?
22) How does personal income compare with personal disposable income?
23) What is one problem in obtaining GDP per capita figures from different countries in order to compare them?
24) What is one problem in using GDP per capita as a measure of economic well-being?
25) If GDP is calculated using the Income Approach what are three of the income categories that must be added together?
26) What are two ways in which the measure of inflation derived from the percent change in the GDP deflator differs from that derived from the percent change in the Consumer Price Index (CPI)?
27) a) “The CPI for a given year measures the inflation rate” – why is this statement false?
b) “CPI uses a fixed weight scheme to calculate inflation” – what does this mean?
28) Consider a world with just two goods/services: Food and Shelter consumed. Consumption and Prices for two years are::

<table>
<thead>
<tr>
<th>Consumption:</th>
<th>Prices:</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Year 1</td>
</tr>
<tr>
<td>Food</td>
<td>3</td>
</tr>
<tr>
<td>Shelter</td>
<td>3</td>
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</tbody>
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a) What is the price of the “year 1 basket” in year 1 (at year 1 prices)? - the price of the year 1 basket at year 2 prices?
b) What is the price of the “year 2 basket” in year 2 (at year 2 prices)? - the price of the year 2 basket at year 1 prices?
29) Which of these measures are actually measured, and which are hypothetical?
30) a) What is inflation between year 1 and 2 as measured by the change in the Laspeyre price index?
b) What is inflation between year 1 and 2 as measured by the change in the Paasche price index?
31) a) Which of these two indexes generally measures inflation as being lower?
b) What is the CPI measure of inflation?
c) The method for calculating the GDP deflator changed in the late 1990s. Prior to this change, which type of Price index was used?
32) Consider a two good world. If the price of one good doubles, and afterward no units are consumed or produced while the price of the other good is unchanged, then what can we say about the percent change in a Paasche index and percent change in a Laspeyre price index?
33) a) “The costs of a stable and perfectly anticipated inflation for society are very small” Evaluate this statement.
b) What makes inflation costly for society?
34) Does an unanticipated increase in inflation benefit net debtors or net creditors? Who/What is the largest net debtor in the U.S.?
35) Distinguish between “real” and “nominal” interest rates.
36) Did U.S. real interest rates increase or decrease from 1980 to 1984? How would supporters of Reagan’s economic policies have explained this?
37) List three types of unemployment. Which can be reduced by macroeconomic policy?
38) Compare the “natural rate of unemployment” and “NAIRU.”
39) What units are the “average duration” of unemployment measured in? How does this change over a business cycle?
40) What is the labor force participation rate, and how does it compare with unemployment rate?
41) How does the Bureau of Labor Statistics determine the national unemployment rate?
42) a) What happens to unemployment rate and labor force participation rate if someone 35 years old, who was looking for work, dies?
b) What happens to these two measures if someone 35 years old, who had stopped looking for work dies?
43) What happens to these two measures if someone 35 years old, who had been looking for work, finds a part-time job?
44) What happens to these two measures if someone 35 years old, who had been working full-time, changes to part-time status?
45) What are two benefits of a recession?
47) What is involuntary unemployment, and is it possible in a Classical Equilibrium? - a Keynesian Equilibrium?
48) i) “supply creates its own demand” ii) “demand creates its own supply” Comment on these two statements.
49) Contrast the Keynesian and Classical views of the factors that determine the level of real investment.