

## To prepare for the exam ...

- This exam will consist of a series of 10 or so essay questions, varying in length and weight, so mostly try to understand the big picture.
- Each of the three exams is worth 200 points, equally weighted.
- At the top of each exam the following statement is made:  
[Note: This is an essay exam. Your grade depends in part upon the clarity and depth of your answer, and on that standard you will be compared to your peers. Stick to the point, but where the opportunity permits, provide some substance to your answers. Try not to be superficial.]
- You are allowed to leave the classroom to take the exam, so long as it is returned to the classroom by 4:00. This is a closed-book, no notes, no discussion exam (as though in the classroom). Therefore I obviously expect you to honor the **Harvey Mudd Honor Code** religiously – our motto is “better to flunk than cheat.” Students from the other colleges must also follow these rules.

## cont ...

- I am mostly looking for a “big picture” understanding of things.
- I do not ask you to memorize specific facts that you have seen unless I identify those facts in this review. Nonetheless, *you may strategically decide to remember some of the facts at your own discretion to make the case for a well-developed answer.*
- When you prepare, it is smart to anticipate what I am likely to ask and prepare for that (after all, what *can* I ask in 10 or so short essay questions)?
- I have stated directly in lectures or through repetition what I am likely to emphasize on the exam (like types of expectations formations).
- Do worry about my many “asides” in the topical discussions ... they are for relevance. **In the exam I stick to the core material.**

## Cont.

- Definitions and cyclical features of the major NIPA categories and generalizations that we made about the changing structure of the economy.
- When breaking down the NIPA accounts to study business cycles, what components seem to contribute and what do not so much.
  - **And how was this evaluated statistically?**
  - Which categories are the most volatile, which most stable?
  - Topical: what seemed to matter in the Q42011 numbers?
- Why (or in what sense) is our domestic savings rate typically below 5% and at times close to zero?
- What is the general relationship between the inflation rate and interest rates?

## ... cont

- The pathology of the business cycle (as explained in reading)
- What is the *wealth effect* and its importance, including its topical importance?
- The formation of *adaptive* vs. *rational expectations*, and their differences and applications.
- Strengths and deficiencies of macroeconomic models (from the reading)
- Full “**blank white page**” structure of the AS/AD model, with applications, all examples and all “stories” are candidates for questions.
  - how do you use it to explain stagflation, the effects of inflationary expectations, and so forth
- **Nothing** on interest rate definitions.

## ... cont

- What is the *Treasury Yield Curve* and why does it have its shape?
- Full “**blank white page**” structure of the LF model, with applications, all examples are candidates.
- How adding risk considerations at the micro level can influence an interest rate.
- Possibly a topical question from either model about *what we are doing now in 2012*.
- Possibly a logical question from either model.