

Econ Unit 4: Macroeconomics Study Guide

1. What is Macroeconomics, when did the study of Macro come about, and what are the 2 reasons that Macro is studied?
2. What 3 major components does Macro focus on?
 -
 -
 -
3. What is the #1 economic indicator for a nation's economy?
4. Define GDP, write out the Expenditure Model equation, explain the 4 components of GDP and give the percentages of each. GO!!!
5. List the 5 exclusions of GDP.
 - _____
 - _____
 - _____
 - _____
 - _____
6. What's the difference between nominal and real GDP?
7. What does real GDP per capita measure?
8. What is something that GDP cannot measure?
9. Draw and correctly label the **6 phases of the Business Cycle**. Also, label full employment at **point A**, a recessionary gap at **point B**, and economic growth (inflationary gap) at **point C**.

10. Define the following terms:
 - a. **Recession** –
 - b. **Depression** –
11. According to the U.S. Census Bureau, who is considered unemployed?
12. What percentage is considered full employment?
13. What is the natural rate of unemployment?
14. Explain the 4 types of unemployment. Circle the type of unemployment that isn't part of the natural rate of unemployment.
 - a. **Frictional** –
 - b. **Structural** –
 - c. **Seasonal** –
 - d. **Cyclical** –
15. Define inflation?
16. How do we calculate inflation?
17. What is the normal rate of inflation (anticipated inflation)?
18. Explain the 2 types of inflation and draw each type using a correctly labeled AD/AS Graph below.
 - a. **Demand-Pull Theory** –
 - b. **Cost-Push Theory** –
19. Which type of inflation is the worst? Why?
20. Define **Stagflation** –
21. What happens if the Fed increases the supply of money in the U.S.A.?
22. What group of people are hit the hardest by unanticipated inflation?
23. Who does unanticipated inflation favor in the long run? Why?

24. What does CPI calculate?
25. What is meant by liquidity of money?
26. What is M_0 , M_1 , and M_2 money?
27. What are the 3 functions of money in a market economy? Which one is the primary purpose of money?
28. What is the difference between commodity money and fiat money? What type of money is the American dollar considered?
29. What is monetary policy, and who is in charge of U.S. monetary policy?
30. Who is on the face of the \$100,000 bill?
31. What is the name of the U.S. central bank, and what 2 important functions does the central bank perform?
32. How is the Fed structured?
33. How do you become one of the 7 members on the Fed Board of Governors?
34. Who is the current chair of the Fed?
35. What members make up the Federal Open Market Committee (FOMC), and what is the primary purpose of these meetings?
36. What are the 3 tools the Fed uses to manipulate monetary policy? (Understand how each policy works to **expand or contract monetary policy**)
 - (a) _____
 - (b) _____
 - (c) _____

37. Explain the difference between **Easy-Money Policy** and **Tight-Money Policy**.
- What happens to the money supply and interest rates when the Fed buys U.S. securities (bonds) on the open market? **Remember “Buy Big!”**
 - What happens to the money supply and interest rates when the Fed sells U.S. securities (bonds) on the open market? **Remember “Sell Small!”**
38. What happens to the money supply and interest rates if the Fed lowers the discount rate? What if the Fed raises the discount rate?
39. What happens to the money supply and interest rate if the Fed decreases the reserve requirement? What if the Fed increases the reserve requirement?
40. What is fiscal policy?
41. What are the 2 goals of fiscal policy?
42. If the federal government implements an expansionary fiscal policy and spends billions of dollars in the public sector, what effect does this have on the private sector?
43. Approximately, what is the current U.S. national debt?
44. What are the 2 means of revenue for the U.S. government?
45. Explain the 3 types of tax structures and give an example of each one.
- Proportional Tax** –
 - Progressive Tax** –
 - Regressive Tax** –
46. What impact do taxes have on the economy?
47. What type of tax structure does the individual income tax fall under?
48. Who is the “father of Demand-Side Economics?”
49. Briefly describe the concept of **Keynesian Economics**.
50. What is deficit spending, and why is it harmful to the economy?