

ECON 4000
Exam #1

Name _____
October 5, 2010

1. According to the NBER the last recession ended in _____.
2. The national income accounts were started by _____.
3. The last chairman of the Federal Reserve was _____.

Answer four (4) of the following six (6) questions:

1. What is Say's Law? Why is the classical theory of interest necessary to make Say's Law valid in a money-based economy? In a money-based what is the equation of exchange and how is it used in the classical model?
2. What was Keynes' approach to equilibrium in the economy and how was it different from the classical model? What led Keynes to take this approach. What was his evidence?
3. Define the following terms and explain how they relate to measuring GDP: Final goods, intermediate goods, investment goods, inventories, finished goods, goods-in-process of production, money, nominal vs. real prices, *ex post* and *ex ante*.
4. What is the LM curve? What does it represent? How is it derived? What may cause it to change? How is it related to and relevant to the macro economy?
5. Why is it so hard to measure GDP and price level changes?
6. What is the IS curve? What does it represent? How is it important to understanding the macro economy? Identify any strengths or weaknesses to this framework. How might it change?