

1. The U.S. medium of exchange is the _____.
2. Water boils at a temperature of _____.
3. The population of the world is about _____.

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

1. What is meant by a full employment budget? Why must it be used to evaluate fiscal policy?
2. If a machine lasts 3 years and provides a net income of \$1000 per year what is the most you would pay for this machine if you could borrow at 8%? As the interest rate changed would you pay more or less?
3. The capital account and current account are key elements of the balance of payments. Explain. What difference does it make if we have fixed or flexible exchange rates?
4. What are the issues that Keynesians vs. monetarists talk about with respect to the role of money and monetary policy in the economy? How do they measure and define money? How are these issues evaluated and discussed? Do we have any conclusions?
5. What is the Phillips curve? Why is there a disagreement about whether it exists in the short run and long run?
6. Given table with net autonomous taxes of 50 paid by consumers: What are the equations for consumption and investment? What is the multiplier? What are the equilibrium levels of income, consumption and investment?

Y_{np}	C	I	G
\$ 0	\$75	\$ 25	\$400
125	125	50	400
250	175	75	400
375	225	100	400
500	275	125	400
625	325	150	400
750	375	175	400
875	425	200	400
1,000	475	225	400
1,125	525	250	400
1,250	575	275	400
1,375	625	300	400
1,500	675	325	400