

1. In the U.S. the unit of account is the \_\_\_\_\_ and the medium of exchange is now the \_\_\_\_\_.
2.  $V$  is measured as \_\_\_\_\_.
3. The capital of Australia is \_\_\_\_\_.
4. GDP stands for \_\_\_\_\_.

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

1. In the classical model what determines the level of output? The level of employment, level of prices and level of money wages?
2. Where  $D=25Y+50-5r$  and  $M_s=80$ . What is the equation for the LM curve? Where  $Y=C+I$ , and  $C=20+.6Y$  and  $I=100-10r$ . What is the equation for the IS curve? At equilibrium what is the value for  $r$  and  $Y$ ? What do these curves show?
3. Comparison of prices and/or output (GDP) is difficult and imperfect at best. Explain, describe and illustrate the problems.
4. Compare and contrast the role and determination of interest rates in the classical and Keynesian models.
5. What are the policy implications and conclusions about the operation of the classical model? How are the assumptions critical to these results?
6. What are the basic categories of economic activity? What are the characteristics and importance of each? What assumptions are being made and how are they important? (What are the implications?)