

1. At present the federal funds rate is _____.
2. APS is measured as _____.
3. The capital of New Mexico is _____.

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

1. Determine Y and solve for C , I , T , m and the value of the multiplier. What can you say about the government's budget and the balance of payments?

$$Y = C + I + G + (x - m)$$

$$C = 45 + .75Y_d$$

$$Y_d = Y - T$$

$$T = .1Y$$

$$I = 95 + .1Y$$

$$G = 100$$

$$x = 50$$

$$m = .05Y$$

2. What role does a full employment budget have in evaluating fiscal policy? What benchmarks would be used for evaluation?
3. If the current market interest rate is 7.5% how much would you pay for a bond with a face value of \$10,000 which pays \$800/yr and is due to be paid off at the end of three years? What would you pay for a \$10,000 promissory only note which is due to be paid in four years?
4. What is meant by the consumption function? What determines consumption? Why are there so many forms of the consumption function? At the present time what factors appear to be important in determining the level of consumption?
5. Distinguish between the following:
 - Internal/external financing
 - Fixed/flexible exchange rates
 - Current vs. capital account
 - Autonomous/induced
 - Discretionary/fixed
6. Over the decades there has been much discussion/debate over the role of money in the economy. How did Keynes vs. the monetarists differ in how they looked at the financial sector and the role of money?