

1. A spider has ___ legs.
2. The target federal funds rate is _____.
3. The most well-known monetarist is _____.
4. A picture of _____ is on the \$10 bill.

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

1. What is the accelerator? What does it represent? How does it help explain the level of investment spending? What factors contribute to the volatility of investment spending? How is it a part of explaining economic activity?
2. What is meant by the Balance of Payments? What is meant by fixed vs. flexible exchange rates? What difference does the exchange rate system make to an economy and its economic policies?
3. What is meant by a balanced budget? What are the consequences to fiscal policy of a balanced budget? What does it mean to say a balanced budget is not neutral?
4. What is a Phillips curve? Why are there arguments about whether it exists or not? Logically how might this dispute be resolved?
5. If a firm had the following investment options

	Cost	r (%)
A	10,000	10
B	4,000	14
C	21,000	7
D	25,000	5
E	16,500	8
F	6,000	12

Draw an investment demand curve from this data. How much investment won't be undertaken if money could be borrowed at 9% (and at 6%)?

6. Solve for Y, C, S, I, M where

$$Y = C + I + G + x - M$$

$$C = C_0 + aY_d$$

$$Y_d = Y - T$$

$$T = T_0 + tY$$

$$I = I_0 + bY$$

$$G = G_0$$

$$x = x_0$$

$$M = M_0 + mY$$

$$\text{and } MPC = .75, MPT = .20, MPI = .25, m = .1$$

$$C_0 = 45, I_0 = 60, G_0 = 60, x_0 = 50, M_0 = 20$$

$$T_0 = 40$$