

Review Sheet of Macroeconomics for midterm exam

Please read the relevant section of the textbook and your notes on the following topics

Please explain the following concepts. If you can explain the following concepts correctly, at least you know the minimum things before taking the exam.

Calculation of GDP

Treatment of intermediate goods

Imputation

Difference of GDP and GNP

Capital depreciation

The relationship between GDP, capital depreciation and tax on producer and income

Real GDP and Nominal GDP

Treatment of inventory in GDP calculation

Definition of investment

What is investment and what is not investment

Production function

Marginal product of labor

Marginal product of capital

Increasing returns to scale

Decreasing returns to scale

constant returns to scale

How to check the production function exhibits a constant, increasing, decreasing returns to scale.

Diminishing marginal product of capital

Diminishing marginal product of labor

Difference of diminishing marginal product and returns to scale

how to calculate the MPK and MPL in the production function

How to calculate the optimal amount of labor for a firm given the wage rate and output price

How to derive labor demand curve

How to derive capital demand curve

How to find the equilibrium wage rate in the labor market

Equilibrium in factor market

Definition of marginal propensity of consumption

GDP determination in the long run

The effect of the government expenditure on GDP in the long run

The effect of the government expenditure on Investment in the long run

The effect of the government expenditure on interest rate in the long run

The effect of IT boom on investment in the long run model

- Three roles of money
- Double coincident of wants
- Creation of money
- Definition of money
- Money multiplier
- Monetary base
- How to calculate money multiplier
- The effect of cash-deposit ratio on money multiplier
- The effect of reserve ratio on money multiplier

Fisher equation

- Definition of Velocity of money
- Quantity equation
- Relationship between money growth rate, GDP growth rate and inflation
- Nominal interest rate and real interest rate

- Key assumption in the super long run
- The definition of the steady state in the Solow model
- How to calculate the steady-state in the Solow model
- The effect of higher population growth rate on GDP per capita in the Solow model
- The effect of higher saving rate on GDP per capita in the Solow model
- Stability of the equilibrium in the Solow model
- The definition of the Golden rule in the Solow model
- How to calculate the Golden rule level of capital stock per capita in the Solow model
- How to calculate the consumption per capita at the Golden rule