



Monmouth
COLLEGE

• Name: _____

• Date: _____

ECON 301 Intermediate Macroeconomics

Practice Final Exam

Spring 2024

NOTE:

- The final exam will be slightly longer than this practice final exam.
 - Definitions: Choose 5 out of 9 terms.
 - True / False: Evaluate 5 statements.
- You should use this practice final exam as a preview of the *style* and *format* of the final exam.

INSTRUCTIONS:

- Please read all questions carefully before you begin answering.
- Answer all questions in the spaces provided on the question sheet.
- This quiz consists of 7 pages, including this one. There are a total of 5 problems with a total of 15 subquestions.
- This practice final exam is not a graded item.

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Problem 1. Definitions:**(5 Points Each)**

Select FOUR items on the list of items below, and provide a definition of the items that you chose.

- GDP Deflator Index
- Fiscal Policy
- Fisher Equation
- Open Market Operations
- Frictional Unemployment
- The Phillips Curve
- Marginal Propensity to Consume
- Real Exchange Rate
- Consumer Price Index

1.A. Item #1: _____

1.B. Item #2: _____

1.C. Item #3: _____

1.D. Item #4: _____

Problem 2. True / False**(5 Points Each)**

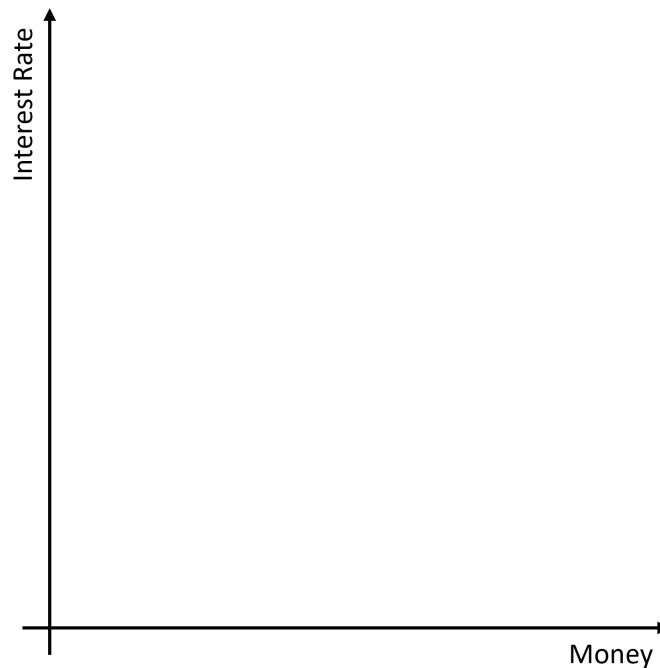
Determine whether the following statements are either TRUE or FALSE. If you deem that the statement is TRUE, there is no need to justify your answer. If you deem that the statement is FALSE, you MUST justify your verdict by providing an explanation.

- 2.A. In an open economy, when foreign output increases, domestic exports will decrease.
- 2.B. If the CPI as of 2020 was 258, and the CPI of 2021 was 262, the inflation rate would be 1.5%.
- 2.C. Income distribution in a country with a Gini coefficient of 0.3 is more equal compared to a country with a Gini coefficient of 0.4.
- 2.D. In general, countries with higher levels of investment in R&D tend to exhibit a faster pace of technological progress.

Problem 3. The Financial Market**(5 Points Each)**

Suppose that the economy is closed, and individuals participating in the financial market have two options; purchasing bonds, and holding money.

- 3.A. In the empty chart below, plot and label money supply (M^s), money demand (M^d), and the equilibrium interest rate (i^*).
- 3.B. Suppose that the demand for money in the economy increased. In the same chart used in 3.A., plot the new equilibrium in the financial market.

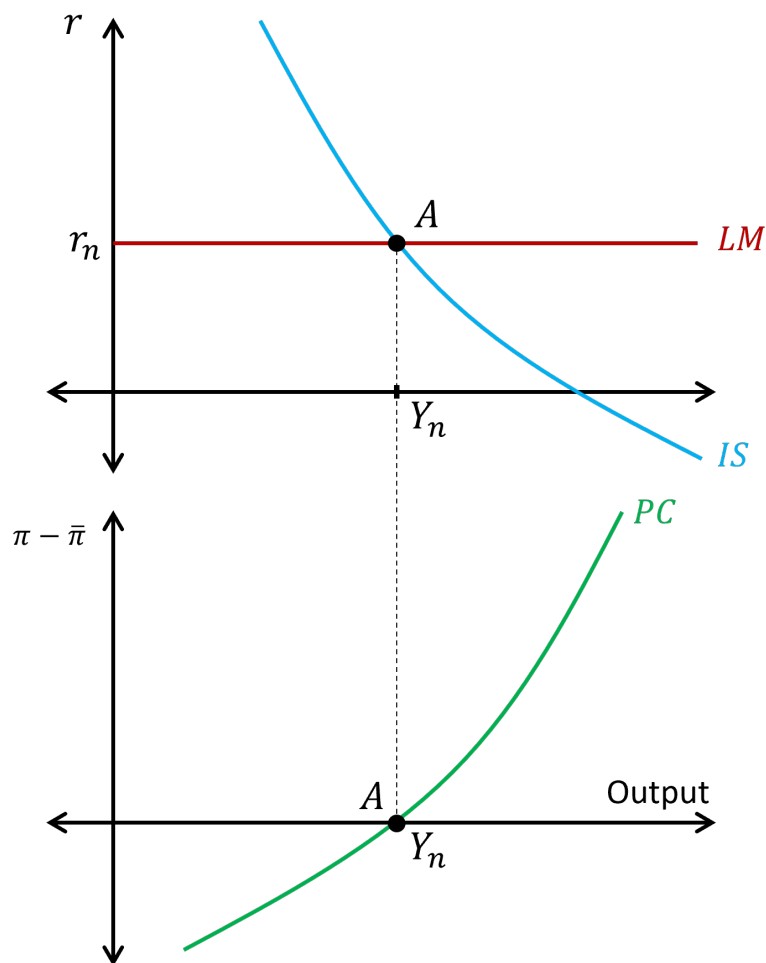


- 3.C. If the Fed is committed to keeping the interest rate at i^* , following the changes in 3.B., what type of policy should the Fed enact?

Problem 4. Policy Interactions in the Medium-Run**(10 Points Each)**

Suppose that a closed economy is operating at its medium-run equilibrium labelled point A . Complete the following tasks:

- 4.A. Suppose that the government conducts contractionary fiscal policy (e.g. increasing taxes). Illustrate the short-run equilibrium, and label it point B .
- 4.B. Suppose that the Fed conducts expansionary monetary policy to return the economy to the medium-run equilibrium. Illustrate the resulting medium-run equilibrium, and label it point C .

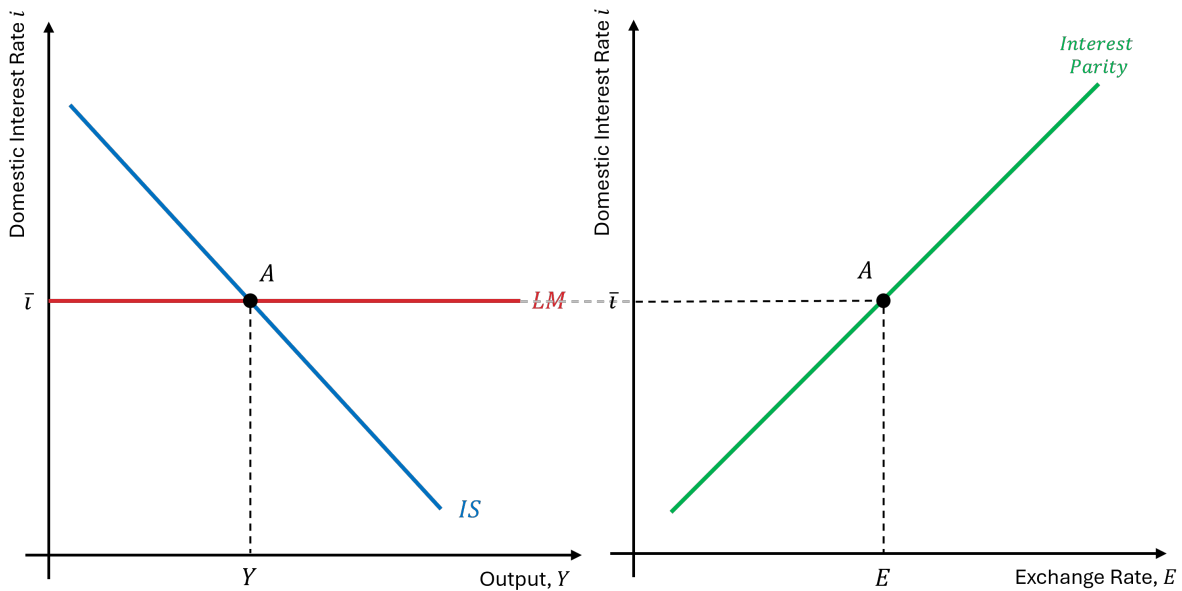


Problem 5. The Open Economy

(6 Points Each)

For problem 5, suppose that the economy is open, and operating at point *A*.

5.A. Suppose that the government announces (and carries out) the construction of new interstate high-ways. Illustrate the change in the empty chart below.



5.B. What happens to... (increase / decrease / doesn't change)

- *C*:
- *I*:
- *G*:
- *IM*:
- *X*:

• Original Score: _____

• Recovered Score: _____

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