

## Final Exam Review Sheet

ECON 1, Fall 2011

The final exam is cumulative with an emphasis on the chapters we covered since the last test, i.e. 16, 17, 20 and any additional materials we covered (articles, videos etc.) For review of the earlier chapters, refer to the topics on the earlier review sheets.

**Note:** Questions will focus on but not be limited to the following list of concepts. When studying, be sure to be able to define a concept or principle, explain it, give an example and calculate or **graph carefully** when appropriate. (Be sure to label graphs fully and correctly, including listing assumptions.)

1. Barter; double coincidence of wants, efficiency
2. Money; its definition and functions: medium of exchange, unit of account, store of value
3. Liquidity and money
4. Commodity vs fiat money
5. Currency, demand deposits and the money supply (stock)
6. Central Bank, Federal Reserve (Fed): money supply and monetary policy
7. Banks and the Money Supply, 100-percent-reserve banking vs. fractional reserve banking
8. Reserves, reserve ratio, reserve requirements, excess reserves
9. T-account and money creation; money multiplier
10. Bank capital, leverage, leverage ratio, capital requirement
11. Tools of the Fed: Open Market Operations, Reserve Requirements, Discount Rate, Interest on Reserves
12. Federal funds rate and the open market operations
13. Bank runs, the Great Depression, FDIC insurance
14. Household decisions and bank decisions and their impact on money supply
15. "Stone currency" reading: fei currency in Uap
16. Inflation, deflation, disinflation, hyperinflation
17. P level and value of money
18. Money Supply, Money Demand and the Monetary equilibrium
19. Velocity of money, Quantity Theory of Money, quantity equation
20. Nominal vs. real variables; nominal vs real (relative) prices
21. Classical dichotomy, monetary neutrality
22. The inflation tax
23. Inflation fallacy and Costs of inflation: Shoeleather Costs, Menu Costs, Relative-Price Variability and the Misallocation of Resources, Inflation-Induced Tax Distortions, Confusion and Inconvenience
24. The Fisher Effect
25. LR vs SR
26. Recession, depression and their explanations
27. Model of aggregate demand and aggregate supply
28. AD curve, AS curve and their shifters
29. Slope of AD Curve: The Wealth Effect, The Interest-Rate Effect, The Exchange Rate Effect
30. LR AS and its shifters, natural rate of output
31. Slope of SR AS: The Sticky-Wage Theory, The Sticky Price Theory, The Misperceptions Theory
32. 2 causes of economic fluctuations: shifts in AD and/or SRAS
33. The Great Depression, John Maynard Keynes
34. Stagflation
35. Monetary policy, fiscal policy and the AD-AS model