

Macroeconomics

<i>Content Area</i>	<i>Percentage Goals of Exam (multiple-choice section)</i>
I. Basic Economic Concepts	(8–12%)
A. Scarcity, choice, and opportunity costs	
B. Production possibilities curve	
C. Comparative advantage, specialization, and exchange	
D. Demand, supply, and market equilibrium	
E. Macroeconomic issues: business cycle, unemployment, inflation, growth	
II. Measurement of Economic Performance.	(12–16%)
A. National income accounts	
1. Circular flow	
2. Gross domestic product	
3. Components of gross domestic product	
4. Real versus nominal gross domestic product	
B. Inflation measurement and adjustment	
1. Price indices	
2. Nominal and real values	
3. Costs of inflation	
C. Unemployment	
1. Definition and measurement	
2. Types of unemployment	
3. Natural rate of unemployment	
III. National Income and Price Determination.	(10–15%)
A. Aggregate demand	
1. Determinants of aggregate demand	
2. Multiplier and crowding-out effects	
B. Aggregate supply	
1. Short-run and long-run analyses	
2. Sticky versus flexible wages and prices	
3. Determinants of aggregate supply	
C. Macroeconomic equilibrium	
1. Real output and price level	
2. Short and long run	
3. Actual versus full-employment output	
4. Business cycle and economic fluctuations	
IV. Financial Sector	(15–20%)
A. Money, banking, and financial markets	
1. Definition of financial assets: money, stocks, bonds	
2. Time value of money (present and future value)	
3. Measures of money supply	
4. Banks and creation of money	
5. Money demand	
6. Money market and the equilibrium nominal interest rate	

- B. Loanable funds market
 - 1. Supply of and demand for loanable funds
 - 2. Equilibrium real interest rate
 - 3. Crowding out
- C. Central bank and control of the money supply
 - 1. Tools of central bank policy
 - 2. Quantity theory of money
 - 3. Real versus nominal interest rates

- V. Stabilization Policies (20–30%)
 - A. Fiscal and monetary policies
 - 1. Demand-side effects
 - 2. Supply-side effects
 - 3. Policy mix
 - 4. Government deficits and debt
 - B. The Phillips curve
 - 1. Short-run and long-run Phillips curves
 - 2. Demand-pull versus cost-push inflation
 - 3. Role of expectations

- VI. Economic Growth (5–10%)
 - A. Definition of economic growth
 - B. Determinants of economic growth
 - 1. Investment in human capital
 - 2. Investment in physical capital
 - 3. Research and development, and technological progress
 - C. Growth policy

- VII. Open Economy: International Trade and Finance (10–15%)
 - A. Balance of payments accounts
 - 1. Balance of trade
 - 2. Current account
 - 3. Financial account (formerly known as capital account)
 - B. Foreign exchange market
 - 1. Demand for and supply of foreign exchange
 - 2. Exchange rate determination
 - 3. Currency appreciation and depreciation
 - C. Imports, exports, and financial capital flows
 - D. Relationships between international and domestic financial and goods markets