1. (11.2.9) Identify and explain the three different kinds of unemployment.

2. (12.3.1) Define: long run. Comment on the following statement: It takes 20 years to reach the long run.

3. (13.2.27) Describe the conditions that, ceteris paribus, lead to flows of international capital out of a country.

4. (13.3.9, 12) “In Round 3 for the Fed, a Challenge for Investors” By Paul J. Lim, Published: September 22, 2012, NYT
   “[B]ecause the Fed is artificially lowering the interest that investors can earn … True to form, the dollar has lost around 6 percent of its value from summer highs ….”
   Explain why the Fed “artificially lowering the interest that investors can earn” would weaken the dollar. Show what this would look like on an appropriately labeled foreign exchange graph in which the dollar is the commodity priced in Yen (use a Y for Yen).
(15) 5. (17.2.8) The U.S. budget deficit is very large. Using an appropriate graph, describe and explain how, *ceteris paribus*, significant government borrowing can affect the level of private investment. *Ceteris paribus*, how might this affect the exchange rate and in turn the trade position (X-M)?

“Information received since the Federal Open Market Committee met in September suggests that economic activity has continued to expand at a moderate pace in recent months. Growth in employment has been slow, and the unemployment rate remains elevated. Household spending has advanced a bit more quickly, but growth in business fixed investment has slowed. The housing sector has shown some further signs of improvement, albeit from a depressed level. Inflation recently picked up somewhat, reflecting higher energy prices. Longer-term inflation expectations have remained stable. …
“…To support continued progress toward maximum employment and price stability, the Committee expects that a highly accommodative stance of monetary policy will remain appropriate for a considerable time…”

   a. Identify the positions of the voting members on the FOMC.
   b. Identify the primary variable which the FOMC targets in order to implement its Monetary Policy.
   c. Identify the current level, approximately, of this variable identified in part b.
   d. Explain, step by step using appropriate graphs, how this policy has been implemented from initial step to its effect on AD.
   e. If “crude oil” is a factor price, which line in our Macro Picture/Macro Graph will a rise in crude oil prices shift, and which way will that line shift?
   f. Explain why the FOMC felt it was important to note that “Longer-term inflation expectations have remained stable.”
7. (17.2.15) Using appropriate graphs describe and explain, *ceteris paribus*, the non-interventionist's argument that interventionist fiscal policy is not necessary when there is demand deficient unemployment. (No need to explain any problem intervention might cause.)

8. Consider these two excerpts from *New York Times* articles
   “A Tightrope on China’s Currency” By Annie Lowery, *NYT*, Oct 22, 2012, it says:
   “At the presidential debate on Monday night, Mitt Romney, the Republicans’ nominee, repeated his promise to brand China a currency manipulator ….”
   a. Identify what China has been doing to its currency that motivates Mr. Romney to “brand China a currency manipulator”.
   b. Explain how China has implemented this currency policy.
   c. Explain why China has been pursuing this policy.
   d. Identify the name of the tradition in political economy that advocates using policies like this one to “win” in the international trade game.
   e. Identify the term used to label policies that a nation adopts, such as Mr. Romney’s tariff threat, to guard its domestic producers from unfair international competition.
   f. Explain the connection between this U.S. fiscal policy and the China currency policy.
9. In the article “Consumer Confidence and Spending Are Rising, Economic Reports Show” By The Associated Press
Published: November 1, 2012 it says: “Consumer confidence surged in October to its highest level in nearly five years. Americans were encouraged by recent declines in the unemployment rate.”

a. Write out the equation that represents the sources of consumption in the aggregate economy.
b. Name and explain each letter in that equation
c. Identify, approximately, the percentage of Aggregate Demand that consumption represents in the U.S. aggregate economy.
d. Using the equation from part “a”, explain how rising consumer confidence can lead to an increase in consumption.
e. Explain with an appropriate graph the effect, ceteris paribus, of such an increase in consumption on real GDP and unemployment?

10. “Geithner and Boehner Defend Their Stands on Fiscal Crisis” By JACKIE CALMES NYT Published: December 2, 2012
WASHINGTON – At a stalemate in their talks to avoid a self-imposed fiscal crisis [the “fiscal cliff” … defaulting on the federal debt] at the end of this month, the lead negotiators for the White House and Congressional Republicans used the Sunday morning news shows to defend their positions and blame the other side for the impasse.

Explain, using the long term capital market graphs, how going over the “fiscal cliff” could negatively affect expectations and in turn the macro economy.

I understand the general standards of academic integrity established by Syracuse University and those specific standards laid out in Professor Evensky’s syllabus. My work on this exam meets those high standards of academic integrity.

Signed:_______________________________________

4 of 5