

ECON 100B Midterm 2 Review Sheet

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The following are some concepts that I think are important to master. They may or may not be important for the exam. In addition, there are many important concepts that I have left off of this list. Thus, this list should only serve as a primitive outline. You should use the Chapter section headers as a more comprehensive outline and should also consult your section and lecture notes. Additionally, reading the text and supplemental articles will be important. Please be sure to review the supplemental readings we have covered since the first midterm. You should be able to find solutions mathematically when appropriate. Good luck!

Chapters 1 – 6

Professor Kaufman reserves the right to use material from these chapters on this midterm. Therefore, you should consult [Handout 3](#) to review this material. However, you should invest the majority of your time studying the following chapters.

Chapter 9

Short Run vs. Long Run
Aggregate Demand and Aggregate Supply in the short and long run
Why Does Aggregate Demand Slope Downward?

Chapter 10

The Keynesian Cross Model
Multiplier
Round-by-Round Story
Deriving IS
Deriving LM

Chapter 11

Fiscal Policy and Monetary Policy shocks on IS-LM
Other Shocks to IS-LM
How IS-LM influences AD and the Keynesian Cross

Chapter 13

Why are prices sticky?
Sticky Wage Model
Imperfect Information Model
Sticky Price Model
Deriving AS
The Phillips Curve
Adaptive Expectations vs. Rational Expectations
Tradeoffs of the Model

Chapter 14

Active vs. Passive Policy
Lucas Critique

Rules vs. Discretion
Time Inconsistency
Inflation Target

Chapter 12

The Mundell-Fleming Model
Deriving IS*-LM* in a Small Open Economy
Shocks in a Small Open Economy
Interest Rate Premiums
Asian Currency Crisis
Modeling a Large Open Economy
Capital Flows

Chapter 19

Real Business Cycle Theory
Intertemporal Substitution of Labor
Technology Influence

Other Topics

Present Discounted Value
Bonds and Bond Pricing
Federal Funds Rate
Full AS/AD model and shocks
Transition Dynamics
Putting it all together: C, I, G, NX graphs with Keynesian Cross, IS-LM, and AS/AD

To study, I recommend the following. Given a limited amount of time, you should only proceed to the lower numbers if you have mastered the previous items.

1. First, review your notes from lecture and section with an emphasis on graphical and mathematical models. Also, review economic logic explaining the models.
2. Then, review the supplemental articles from Blackboard and make sure you can summarize all their arguments.
3. Then review the solutions to the two homework problem sets. Perhaps try solving some of them again.
4. If you have not already done so, it is probably too late to read the textbook. Thus, read the notes I posted on my website if you have time.
5. Do some practice problems from the workbook if you have time.