Study Guide: Midterm 1

Lecture 1

What is the definition of GDP?
What are three different ways of understanding GDP?
How are houses categorized in GDP? What is “imputed rent”?
How are inventories categorized in GDP?
How are transfer payments categorized in GDP?
What are imports and what are exports?
What are some important things not counted in GDP?
What are some policies that would increase GDP but decrease wellbeing? (slide titled “GDP Maximization strategies”)

Lecture 2

What is the difference between “real” and “nominal” GDP?
How is GDP deflator calculated?
What is CPI? How is it calculated?
What is inflation and how is it calculated?
How do you use changes in the price level to compare dollar figures across time?
What is the average growth rate of US GDP per working age person over the 20th century?

Lecture 3

What is the difference between “growth economics” and “development economics”?
What types of questions does Esther Duflo’s research attempt to answer? How does she go about it?
What region (continent) of the world has caused the very fast growth in world GDP in the last 20 years?
Why is it hard to study growth?
Lecture 4
What happened to Korean GDP per capita during Japanese colonization (1911-1945)? Why?
What were the economic effects of the Korean War?
How did South Korean GDP per capita compare to other parts of the world after the Korean War?
What policies did the military government of South Korea pursue that led to growth?
What were the effects of the Asian Financial Crisis on the South Korean economy?

Lecture 5
How did Argentine GDP and wealth compare to other countries in the world at the beginning of the 20th century?
What advantages did Argentina have at that time that accounted for high GDP?
What three big, negative events occurred in Argentina before 1930, and how did they affect the economy? How were they related to international trade?
What was the “Infamous Decade”?
What is “Import Substitution”? Why did Argentina pursue it?
How does it differ from trade/industrial policies pursued in South Korea?
What problems plagued Argentina from the 1940s until the 1980s that hurt the economy?
What policies were pursued in Argentina in the 1990s? Why did they ultimately fail?
What current problems does Argentina face?

Lecture 6
Why do we study China so much?
How did historical China compare, economically, to the rest of the world? How did this affect the way they related to the rest of the world?
What was the effect of the series of wars from the 1840s until the 1910s?
What was the “Great Leap Forward”? What were its effects? Why did it fail?
What was the “Cultural Revolution”?
What policies were pursued in China in the 1980s? How are they similar and different than those pursued in South Korea?
How does the Chinese exchange rate strategy work? Why does it affect Chinese exports?

Lecture 7
What do past cases of fast growth tell us about possible futures for China?
What is “catch up” growth?
What does Mexico’s experience tell us about what could happen in China?
What are the World Bank, IMF and WTO? How did they get founded?
How have their purviews changed since their founding?
What are structural adjustment programs? What are some criticisms?
What is globalization?
How did the IMF affect India?

Lecture 8
What did Robert Solow discover about what drives growth?
What are the three ingredients of any macroeconomic model?
What two possibilities for drivers of growth does the Solow growth model attempt to distinguish?
How do changes in savings, productivity and capital depreciation affect steady state capital?
How does capital transition to steady state from an initial starting point (either above or below steady state)?
How do you calculate GDP, consumption and investment as a function of the capital stock?
How does consumption change when productivity, savings or capital depreciation change? How do they move in the short run and in the long run?
What is the relationship between the level of GDP per capita of countries and their savings rate?

Lecture 9
How are people sorted into “employed”, “unemployed”, and “not in the labor force”?
How are the unemployment rate, labor force, and labor force participation rate computed?
What happens to the unemployment rate during recessions? Does it rise fast or slow? Does it fall fast or slow?
What are some important labor market outcomes not reflected in the unemployment rate?
What is the difference between “cyclical” and the “natural rate” of unemployment?

What are benefits and drawbacks of unemployment insurance?

**Homework Questions to Review:**

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