

Midterm 2 Material

General guidelines:

- This is a closed notes and closed books exam, and no calculators are allowed.
- The questions are based on (a) posted notes, (b) material and examples covered in class and (c) homework assignments.

Detailed guidelines:

1. Business Cycles

- a. Classical model
- b. Keynesian model

2. Unemployment

- a. Labor market definitions and measuring unemployment rate and labor force participation rate
- b. Search model of unemployment

3. Saving

- a. The relationship between national saving and investment (Saving and Investment equation).

General remarks: there are three types of questions that I can ask: (1) graph questions, where I ask to draw graphs or answer a question based on a given graph, (2) verbal questions, where the answer verbal, and (3) math questions, where I ask to derive some equation or formula and use them.