Topics for 4th Midterm ("Final Exam")

Textbook Chapters: 30, 32
Additional Reading: Krugman (on web page)

Chapter 30: The Federal Reserve
   Organization
   Main tasks
   Policy instruments
      Discount rate
      Open market operations
      Reserve requirement ratio
   Monetary Policy (expansionary vs. contractionary)
      Effect on market for loanable funds
      Effect on aggregate demand
   Pitfalls of monetary policy
      Lags, default risk & excess bank reserves, changes in velocity of money,
      household portfolio shifts from deposits to cash (& vice versa)
   Bank regulation
      Bank runs, deposit insurance, bank supervision, perverse incentives
      of de-capitalized banks, “lender of last resort”

Chapter 32: Fiscal Policy
   Debts vs. deficits
   Taxes
      Progressive, regressive, and proportional taxes
      Income taxes, payroll taxes, excise taxes
   Expansionary vs. Contractionary fiscal policy
      Effect on aggregate demand
   Automatic stabilizers
   Potential problems and challenges of fiscal policy
      Crowding out
      Lags
      Political business cycles
   Temporary vs. permanent changes in G and/or T

Test format:
   100% multiple choice & true/false