

This review sheet is intended to cover everything that could be on the exam; however, it is possible that I will have accidentally left something off. You are still responsible for everything in the chapters covered except anything that I explicitly say you are not responsible for. Therefore, if I left something off of this sheet, it can still be on the exam. There will be no multiple-choice questions. Most of the questions will be like the ones in the homework assignments, and possibly a few definition questions, but I am more likely to ask questions that make you use the definitions rather than recite them.

The review session will be Tuesday, 10/12, at 7:00, in the normal room.

Chapter 13 starting with page 537:

Know the basics of the Neoclassical Growth Model, like why the curves take their shapes, why it goes to equilibrium, and how savings rates, population growth rate, and improvements in technology move the lines. I will not go beyond that because the book does a poor job describing it and the better graph would have been too long to teach.

Chapter 14:

Know how to tell the length of a business cycle and the definitions of boom and recession. What are Juglar cycles and what causes them? What are Kondratieff cycles and why do they exist. Your book says he did not explain why they exist, but another book I have used says he related them to technology changes. Ignore Kitchin cycles because your book does not describe them nor does any other book I have used, but they mention them. Similarly, do not worry about Schumpeter's cycle theory because his included Kitchin cycles. What happens during a business cycle? What causes the cycle? In particular, know how sunspots, innovation, and other external shocks like wars and oil prices, cause cycles. Know the internal shock theories like, underconsumption and overinvestment. Know how extrapolation (homework #4) and indicators work. For the items listed on page 569, understand the economic reason why they are classified in those categories. (As you will see after the test, other organizations have different indicators or sometimes change which category the indicator is in.) Therefore, I will not ask you to list all of the leading indicators. Rather I will ask a question like #3 below.

Laboratories:

Be able to calculate a price index and inflation. Be able to do the following simple forecasts: same value, same change, same ratio, partial adjustment, moving averages, and weighted moving averages. Be able to tell which type of time path each takes. (Same ratio can be either monotonic convergence or monotonic explosion depending upon whether the value is decreasing or increasing, respectively.)

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This is the non-graded assignment #4A that will be gone over with assignment #4.

- 1) (25 points) Explain the economic causes of the Juglar cycles. What is the weakness of the theory?
- 2) (15 points) Explain how sunspots could cause business cycles.
- 3) (15 points each) For each of the following, determine if it is a leading, coincident, or lagging indicator. Explain the economic reason why you put it into that category.
  - A) Changes in manufacturers unfilled orders of durable goods.
  - B) Change in the consumer price index for services, smoothed.
  - C) Employees on nonagricultural payrolls.
  - D) Average weekly initial claims for unemployment insurance.