**Econ 201 Study Guide for Exam 1**

**Chapter 5** introductory material

Macro goals: growth, inflation, unemployment
Aggregation
Keynes – what he said compared to Classical economist
business cycle (expansion/recession/peak/trough)

**Chapter 6** GDP definition and calculation

NGDP, RGDP, GNP
what's included and what's not,
value added,
intermediate and final goods.
GDP deflator as covered in class and quiz,
real GDP, how to interpret the GDP price index
C, I, G, EX, IM
Transfer payments

**Chapter 7** - Inflation and unemployment

How to calculate and use the CPI,
what is included and what is not as compared to the GDP deflator,
how to construct an index and use an index
how to calculate real value from nominal value using an index,
real and nominal interest rate,
Unemployment definition, frictional, structural, cyclical, natural
different measures of unemployment, calculation. U-3, U-4, U-5, U-6

**Chapter 8** – Aggregate Expenditure and Equilibrium Output

labor market equilibrium,
full employment,
potential output,
Consumption function
Saving function
MPC, MPS
Planned I, actual I, unplanned change in inventories
Multiplier
Paradox of thrift
Solve for equilibrium – the math!
Chapter 9 – Government and Fiscal Policy

Disposable Income
AE = C+I+G
Solve for Equilibrium with the government sector
The math
Budget : T – G
Deficit, surplus
Government spending multiplier
Tax multiplier
Balanced-budget multiplier
Use of fiscal policy to get to full employment
Automatic Stabilizers
Fiscal Drag
Deficit and Debt