

ECONOMICS 30233
Intermediate Macroeconomics
Study Questions for Semester (Spring 2020)

INSTRUCTIONS: You will find below study questions designed to guide your studying. **A subset of these exact questions will appear on your exams.** You are under no obligation to complete them but there is, not surprisingly, a high correlation between doing these and earning a high grade! Please bear the following in mind:

General issues

- The exams are weighted such that a perfect score on all the questions from the list below earns you at least a low B. A's are reserved for those who also answer the "hell" questions correctly. That said, data from previous classes show that there is a high correlation between doing well on the non-hell portion of exams and scoring highly on the hell portions.
- I am also happy to check over your answers to make sure they are correct. Just send a copy to j.harvey@tcu.edu. Please see below for the dates by which I'll need to receive your answers.
- You are free to reword any lecture or reading question however you like. However, always be sure to send it to me on your study question list so that you can be sure that I agree it includes all the important information—don't wait until the exam to find out!
- If I check your study questions and accidentally approve an incorrect answer that you then give on an exam, you get full credit. If I initially subtract points, just let me know and I'll fix it. That's the John Harvey Guarantee!
- If you are resending questions to me, please let me know which ones are new and/or adjusted from last time so I don't have to check the entire list all over again.
- Studying involves taking this list and a blank piece of paper and writing out the answers until, according to your list of answers, you don't make any mistakes. **THERE IS SIMPLY NO SUBSTITUTE FOR DOING THIS!**

Reading questions

- The place where the study questions are the most helpful is on the readings (I write the lecture answers on the board). As a rule, I don't go over these in class and the study question list prevents you from having to guess which parts of "The Blessings of Free Trade" I expect you to remember for the exam. I tell you up front!
- Be sure to actually read the articles and not simply harvest them for the study question answers. If you do the latter, you won't really understand the context and you'll end up having to memorize. There's too much material to do that. Those who use someone else's study question answers face the same problem. I don't actually want you to just know what's on the list, I hope you learn much more than that. However, I'm only going to test you over the list.

Using someone else's answers

- There is no rule against this. The study questions are not an assignment.
- If you and a friend (or enemy or bystander) worked on the questions together, please let me know when you send the questions to me so that I can be sure you both get the John Harvey Guarantee.
- If you did not work together but choose to use someone else's already-corrected study questions, please do not send them to me unedited. In other words, if I indicated on their answers that they needed to make adjustments, make these first. In addition, let me know which ones have been adjusted so I don't have to check the entire list all over again. If you already know they are perfect, please don't send them at all. Just email me saying, "I'm using Victor Boschini's study question answers!" and then you'll get the John Harvey Guarantee based on their answers. (FYI, he's never take this course so you should probably use someone else's. That was just an example.)
- If you choose to use someone else's study questions from a previous semester, all of the above apply plus one more: please see if the questions are the same as in the previous semester (I add and subtract whole questions and change the wording on others). If this hasn't been done, I'll return the questions unchecked.

Study question organization

- Questions are grouped by their source. For examples, questions based on lecture material have *Lecture* before them, and then appear without spaces between them. For questions where answers can be found in the reading, the specific link is given and the questions are then grouped without spaces.
- **Green questions may also appear on the final exam.**

Study question deadlines

- Anyone wanting their exam one study questions checked must have submitted them to me by 11:59pm, Thursday, February 6.
- Anyone wanting their exam two study questions checked must have submitted them to me by 11:59pm, Thursday, March 19.
- Anyone wanting their final exam study questions checked must have submitted them to me by 11:59pm, Tuesday, April 30.
- **Deadlines apply whether you take that exam at the regular time or not.**
- I do not recheck the green questions on the final exam list since they were subject to one of the two earlier deadlines.

Study question format

- Please send your answers as Word attachments (or the like). That makes it much easier to type comments or corrections directly into your document.

REMEMBER-TO-KNOW GOALS

The pedagogical literature suggests that the instructor not only come up with some realistic goals regarding what they expect students take with them after the semester is over (basic concepts that you no longer have to try to *remember* because you simply *know* them), but to also share these with the class. Well, here they are in rough order of importance!

- Capitalism is inherently unstable and tends toward less-than-full employment;
- the behavior of physical investment spending contributes to the instability and the tendency toward less-than-full employment;
- the behavior of financial sector contributes to the instability and the tendency toward less-than-full employment;
- the government plays a critical role in addressing the instability and tendency toward less-than-full employment.

BACKGROUND

Lecture

1. Distinguish between validity and cogency. [25 words]
2. What is the fallacy of composition? Give an example related to macroeconomics. [58 words]
3. Explain why injections must be equal to leakages in a closed system. [127 words]
4. Derive the simple income multiplier. Note that this is also covered extensively in Paul Davidson (our textbook), pages 49 to 53. [equations]
5. How does, *ceteris paribus*, a more even distribution of income create a higher level of GDP? [56 words]
6. Give an example to show how even a balanced government budget boosts GDP. Why is this so? Note that Paul Davidson discusses this on pages 87-89. [equations and notes]

Reading

Clayton, Gary E., Martin Gerhard Giesbrecht, and Feng Guo. (2018) *A Guide to Everyday Economic Statistics*, New York: McGraw Hill/Irwin.

7. How can economic statistics be abused (there are four varieties of abuse)? [71 words]
8. What is GDP (the phrase after the hyphen)? [29 words]
9. What does GDP overlook (three things--the fourth one really isn't overlooked)? [41 words]
10. Specifically, when is the economy in recession (NOT the bit about the NBER working it out--the first definition)? [16 words]

11. An important leading indicator is the Purchasing Managers' Index, designed to gauge changes in the level of economic activity at the level of firms' managers. They are asked questions regarding production, new orders, inventories, and more. The index ranges from 0 to 100. How should it be interpreted (relative to 50)? More specifically, the economy is claimed to be generally expanding when? [6 words]
12. Why bother with the index of industrial production if it largely measures the same thing as GDP? [20 words]
13. The leading economic index is one of the most watched statistical series. What is the conventional wisdom regarding the signal given by the index of leading indicators? How can each of three false alarms in 1966, 1984, and 1995 be explained? [50 words]
14. Briefly explain why gross private domestic investment expenditures are worthy of study, despite the small role they play in overall spending in the economy. [Hint: find the stuff about "worthy of study" and "there's more;" **two points**—22 words]
15. "New jobs created" is, for a number of reasons, a very suspect statistic. How well does it perform as an indicator? [11 words]
16. What does it take to be employed (give the three-part definition) [55 words]
17. Regardless of whether we are talking about CPI-U or CPI-W, each measure is average of what? [15 words]
18. Increases in the producer price index will eventually cause increases in what? Why? [15 words]
19. What are federal funds? [18 words—don't just say it's the interest paid to borrow fed funds!]
20. What is the main purpose of the Fed's primary credit rate (you'll have to read for a bit to find it)? [20 words]
21. Why are Treasury Bills popular with investors (including the "also")? [16 words]
22. What does LIBOR stand for and, because it was outside the control of the Federal Reserve System, of what was it thought to be generally free? Incidentally, the book does a terrible job of explaining the scandal. Because banks were free to report whatever they wanted without regulatory oversight, they falsified interest rate quotes in order to profit from trades or make themselves look more creditworthy. [9 words]

JOHN MAYNARD KEYNES' (1883-1946), NOT KEYNESIAN, ECONOMICS

Davidson, Paul (2011). Post Keynesian Macroeconomic Theory (second edition), Cheltenham, UK: Edward Elgar.

Chapter 2, "The essential difference between the general theory and the classical system"

Reading

23. Say's Law implies what because the very act of production does what? [26 words]

Lecture

24. Draw Keynes' expected sales proceeds/planned spending (Z-D) diagram, explain each function, and tell why points to the right or left of the intersection cannot be equilibrium. Where is full employment? [graph plus 94 words]
25. Draw the simplified version of the Z-D diagram and label the slopes and intercepts. Draw the three equations for the system, telling what each represents, the range for the parameters, and what affects the latter. [graph plus 68 words]
26. Show the three equations for the Z-D system and solve for N. What must be true for there to be a solution that yields a positive value for N and why is that necessary (both in terms of the equations and the graph)? What don't we have to worry about?

Reading

27. Draw an expected sales proceeds/planned spending (Z-D) diagram that assumes that Say's Law holds and there is thus no obstacle to full employment. [graph]

Chapter 3, "Taxonomy, axioms and expenditures related to income: Keynes's D_1 category"

Reading

28. Draw and label the figure that shows decisions about the use of current income (you may omit the references to classical economics). [figure]
29. On pages 51 to 53, Davidson explains the problems inherent to economic modeling, particularly as related to the fact that the ceteris paribus assumption that is absolutely necessary in formalizing our analysis will never hold in the real world. How does he related this to stimulus spending in 2009 (what is the problem and from what was this no doubt a result)? [38 words]
30. Read the section discussing the two essential properties of liquid assets in the appendix to chapter 3 (i.e., their elasticity of production is zero or negligible and there is zero or negligible substitutability between liquid and reproducible goods; it may make it easier to understand if you read "liquid assets" as "cash"). Summarize how these create the possibility of involuntary unemployment even when there are perfectly flexible wages and prices. [I will help with this in class; 72 words]

Chapter 4, "Investment Spending"

Reading

31. Davidson argues that the decision to invest is a weighty one because one is very unlikely to be able to find a new buyer for a sausage machine, and certainly not at a price that would recoup costs. He further argues that the key to understanding investment behavior is the knowledge that entrepreneurs will order new capital goods (i.e., invest) whenever the demand price for plant and equipment (i.e., the price those demanding investment goods are willing to pay) exceeds the flow supply price (i.e., the price firms producing investment goods require to supply them). Write Davidson's stock demand quantity for capital (equation 4.2), define each variable, and *tell the sign of the independent variables with respect to the dependent*. [79 words]

Lecture

32. Draw a complete market demand and supply diagram for capital showing positive net investment. Label it and be sure to identify 1) the existing stock of capital (existing factories), 2) the short-period flow price (the going price for building new factories), 3) the demand price for the existing stock of capital (the price entrepreneurs would be willing to pay for an existing factory), 4) gross production of capital goods (total investment), 5) production just to cover depreciation (investment just to repair the capital that is wearing out), 6) net investment (investment above and beyond depreciation), and 7) the minimum flow supply price (the price below which investment goods firms will cease production). Firms will place orders for newly producible capital goods when which price exceeds which price? [73 words plus graph]
33. Draw a complete market demand and supply diagram for capital showing negative net investment. Label it and be sure to identify 1) the existing stock of capital (existing factories), 2) the short-period flow price (the price entrepreneurs would be willing to pay for an existing factory), 3) the demand price for the existing stock of capital (the going price for existing factories), 4) gross production of capital goods (total investment), 5) net investment (investment above and beyond depreciation), 6) the minimum flow supply price (the price below which investment goods firms will cease production), and 7) capital stock depreciation. [59 words plus graph]

Harvey: "Teaching Keynes' Business Cycle: An Extension of Davidson's Capital Mkt Model"
http://personal.tcu.edu/jharvey/30233/Teaching_Keynes_Bus_Cycle.pdf

Reading

34. Referring to Davidson's capital market diagram, Harvey says that p_s is an important benchmark even when? [21 words]

*******PROBABLE STOPPING POINT FOR EXAM ONE*******

Lecture

35. THIS IS A REPEAT OF AN ABOVE QUESTION! Draw a complete market demand and supply diagram for capital showing positive net investment. Label it and be sure to identify 1) the existing stock of capital (existing factories), 2) the short-period flow price (the going price for building new factories), 3) the demand price for the existing stock of capital (the price entrepreneurs would be willing to pay for an existing factory), 4) gross production of capital goods (total investment), 5) production just to cover depreciation (investment just to repair the capital that is wearing out), 6) net investment (investment above and beyond depreciation), and 7) the minimum flow supply price (the price below which investment goods firms will cease production). Firms will place orders for newly producible capital goods when which price exceeds which price? [73 words plus graph]
36. THIS IS A REPEAT OF AN ABOVE QUESTION! Draw a complete market demand and supply diagram for capital showing negative net investment. Label it and be sure to identify 1) the existing stock of capital (existing factories), 2) the short-period flow price (the going price for building new factories), 3) the demand price for the existing stock of capital (the price entrepreneurs would be willing to pay for an existing factory), 4) gross production of capital goods (total investment), 5) net investment (investment above and beyond depreciation), 6) the minimum flow supply price (the price below which investment goods firms will cease production), and 7) capital stock depreciation. [59 words plus graph]

Harvey: "Teaching Keynes' Business Cycle: An Extension of Davidson's Capital Mkt Model"
http://personal.tcu.edu/jharvey/30233/Teaching_Keynes_Bus_Cycle.pdf

Reading

37. What did Keynes say about the conditions under which the investment decision is made (both why we would be unlikely to invest and why we nevertheless do so)? [81 words]
38. Echoing Davidson, Harvey says that investment will inevitably decline because of the continuous additions to the capital stock. Why will this not lead to a stationary state and what happens instead? [82 words]
39. Show the four stages of the business cycle (early, mid, and late expansion and recession) along with the states of investment spending, investor expectations, and realized profits. [chart]

Chapter 5, "Government and the level of output"

Reading

40. What is the hope of those who favor functional finance? [50 words]
41. Explain in your own words how automatic stabilizers operate in a recession (two factors). [26 words]
42. What are the two fears that the public associates with rising government debt? [33 words]
43. As part of FDR's re-election campaign, his fiscal year 1937 budget cut government spending dramatically. What was the result? The only number you need to remember is the unemployment rate. [23 words]

Harvey: Why You Should Learn to Love the Deficit: Federal Budget Fallacies
<http://www.forbes.com/sites/johntharvey/2011/07/02/learn-to-love-the-deficit/>

Reading

44. What is the most critical fact one needs to know in order to understand the role of the federal budget? [23 words]
45. What is the only entity capable of creating demand from thin air? [1 word]
46. Why is it that cutting the deficit by reducing spending does not put money in the pockets of those in the private sector (two reasons)? [34 words]
47. You can spend your way out of a recession because a recession is caused by a lack of what? [1 word]
48. When might deficit spending create inflation? [6 words]
49. Government surpluses do not help the economy grow because they represent what? [7 words]
50. What is the chance that the US could be forced to default on the debt and why is that so? [16 words]
51. That we owe money to China has nothing to do with what and everything to do with what? [17 words]

Chapter 6, “Delving further into the relationship between money, liquidity, and uncertainty”

Reading

52. Our desire to hold money as a store of wealth is a barometer of what? [14 words]
53. Without what would real world entrepreneurial activities quickly wither away? [6 words]

Chapter 7, “Liquidity preference—the basis of Keynes’s revolution”

Reading

54. In the General Theory, Keynes distinguishes what three motives for holding money? Please explain each briefly. Also note which one Keynes’ later admitted was misspecified. [64 words]
55. Draw the speculation demand curve for money as shown in Figure 7.3 (you may exclude the exogenous money supply curves). In your own words, why does it have that slope? [57 words plus graph]

Lecture

56. In Keynes’ scheme, changes in the supply of money affect the money market rather than the prices of goods and services. Show how this works on a money supply and demand diagram, give both an endogenous and exogenous money supply curve, and point out what variable is the equivalent of the price of money or liquidity. [graph]

Reading

Chapter 8, “The finance motive and the interdependence of the real and monetary sectors”

57. According to Keynes, who holds the key position in the transition from a lower to a higher scale of economic activity and what happens if they refuse to relax? The investment market can become congested through what and not through what? [43 words]
58. Davidson argues that the money supply is endogenous, or created automatically in response to private market activities (central banks generally play only a passive role). In your own words, how has this, combined with the fact that production takes time, led some empiricists to incorrectly infer that an increase in the money supply “causes” an increase in output? [84 words including chart]

Harvey: An Economic Framework for Studying Cyber Security Issues, under review at Military Cyber Affairs (you can probably skip to page 21)

http://personal.tcu.edu/jharvey/30233/Econ_Primer_for_Cyber.pdf

59. How is it that a loan shows up on both sides of a bank’s balance sheet? While they clearly don’t need anyone’s savings to make the loan, why do they not (at least initially) even worry about having sufficient reserves to make the loan and when they do look for those reserves, where will they go first? [33 words]
60. If the Fed has not changed its interest rate target and the entire banking system is short of reserves, what must the Fed do and why? [16 words]
61. Commercial banks and similar institutions do not realistically face what kind of constraints in lending? [2 words]
62. What is the real key to an institution’s financial health? [four words]
63. What did Lehman Brothers net worth-to-asset ratio in 2008 indicate? How much did the market lose in about a week in 2008? [17 words]

Chapter 9, “Financial markets, fast exits, and great depressions and recessions”

Reading

64. Very briefly, in what sense is the existence of liquidity-creating financial markets a double-edged sword (good times versus bad times)? [19 words]
65. The fast exit strategy that calms all financial asset holders’ fears of the uncertain future is available to all only as long as what (note that a market maker is, according to the Securities and Exchange Commission, “a firm that stands ready to buy and sell a particular stock on a regular and continuous basis at a publicly quoted price”)? [39 words]
66. With the repeal of the Glass Steagall Act in 1999, there was a tremendous growth in innovative financial derivative markets. What happened when events occurred to make most holders of these derivatives into bears and why? [16 words]
67. What is the result of the fact that minority shareholders have little knowledge or interest in the long-run prospective yield of capital assets that they legally own? [22 words]
68. What did Keynes say about the wealth effect of a change in the price of financial assets? [26 words]

69. Shadow banking evolved as non-bank financial intermediaries created securitized assets that they claimed were nearly as good as money because they were so liquid and stable in value. Such claims were made with respect to the derivatives created from subprime mortgages (note that there is an omitted “not” in the last full sentence on page 158 in Davidson—I think you’ll know where!). In reality, it was next to impossible to determine the true value of the assets and in 2007-8, mortgagees began to default. Why did the mortgage originators have an incentive to approve people for those loans and why did they not care too terribly much whether or not they defaulted? [29 words]
70. In the 1990s, banks started selling their loans to non-bank intermediaries. While this allowed them to shed much of their default uncertainty, there was a downside. What was it? [29 words]

INFLATION

John T. Harvey, Money Growth Does Not Cause Inflation!

<http://www.forbes.com/sites/johntharvey/2011/05/14/money-growth-does-not-cause-inflation/>

Reading

71. What assumptions are made regarding M, V, P, and y in the “money growth ==>inflation” view? [123 words]
72. The Post Keynesian view argues that since V and y can and do vary in the real world, there is no reason to believe that changes in P can necessarily be linked directly to changes in M. However, the real nail in the coffin of the “money growth==>inflation” is what? Explain it briefly (be sure to mention the three means by which the Fed can affect the money supply). [99 words]

Chapter 10, “Inflation: causes and cures”

Reading

73. One of Davidson’s four causes of incomes inflation is diminishing returns inflation. It is held that it is inevitable for what reason? What can/should be done over the short and long run about this inflation? [55 words]
74. One of Davidson’s four causes of incomes inflation is degree of monopoly or profits inflation. When will the economy experience a profits inflation? [26 words]
75. One of Davidson’s four causes of incomes inflation is wage inflation. With respect to this kind of inflation, what raises production costs? Given what, this will increase prices (Davidson says “flow-supply price schedules)? Because of their tendency to compare their lot to that of other workers, the struggle about money wages becomes what? [43 words]
76. One of Davidson’s four causes of incomes inflation is import inflation. On what does the impact of the price of import on the rate of inflation in the economy depend? [13 words]
77. In a closed economy, any monetary and/or fiscal policies aimed at preventing all price increases before full employment can only be successful if what? [5 words]
78. In the Post Keynesian Distribution View, inflation is a symptom of what? [8 words]
79. There have been two episodes of successful government-initiated income/inflation control policies, one from 1961-8 (voluntary) and 1971-2 (legislated). President Ford then tried to start another such program in 1975 (Whip Inflation Now), but people saw it as a stunt and not a policy. What had eroded feelings of civic responsibility? [7 words]
80. After the failure of President Ford’s Whip Inflation Now program, what became the only game in town to fight inflation? [3 words]

Lecture

81. Explain the process by which the inflation of the 1970s occurred and show how it is that a rise in the money supply may accompany a rise in final goods prices, even though the former does not, indeed cannot, cause the latter. [95 words plus diagram]

Harvey: How Economists Contributed to the Financial Crisis

<http://www.forbes.com/sites/johntharvey/2012/02/06/economics-crisis/>

82. Economists stood idly by (and even praised) as what four transformations took place in the US economy over the past thirty years? [29 words]
83. How is the incentive structure skewed in mainstream (Neoclassical) evidence and what did graduate students list last when asked what was most important to success as an economist? [36 words]
84. Steve Keen published the paper upon which his award-winning forecast of the financial crisis was based during what period? [12 words]

*******PROBABLE STOPPING POINT FOR EXAM TWO*******

STEVE KEEN'S MINSKY MODEL: PREDICTING THE FINANCIAL CRISIS

Steve Keen (1995). "Finance and Economic Breakdown: Modeling Minsky's 'Financial Instability Hypothesis.'" *Journal of Post Keynesian Economics*, vol.17, no. 4: 607-35.

You can skip reading his article until you get to the section labeled "The basic Minsky model." Before that, it is reviewing certain features of Post Keynesian economics. You can safely assume that if Paul Davidson had it in his book, Steve Keen agrees!

<http://personal.tcu.edu/jharvey/30233/SteveKeen.pdf>

Reading

85. Minsky's financial instability hypothesis is best understood by considering the early stages of an expansion, where the economy is growing but everyone (firms, consumers, and banks) is still cautious. This means that most projects succeed. As a consequence, what two things gradually become evident to managers and bankers and as a result, what do they do? [32 words]
86. The general decline in risk aversion that accompanies early expansion sets off what in terms of investment and the price level of assets (he means financial, incidentally)? Also, why is the external finance needed to fund these forthcoming? [38 words]
87. During the euphoric economy, what important actor in Minsky's drama is created? Although their servicing costs exceed their cash flows, how do they expect to profit? [16 words]
88. How does the decrease in firm viability check the asset price boom and what then happens to the euphoria and boom? [25 words]
89. In what two ways does the picture of a bust change when there is a big government involved? [55 words]

*****You may safely skip reading pages 615-631*****

Reading

90. Keen says that his model suggests that any policies aimed at lowering interest rates once the collapse has occurred will be futile since the economy has "passed into its catastrophic region." In fact, he says, "the weight of the accumulated debt upon a depressed economy (is) so great that any government action at that time may be too little, too late." What does Keen say is the essential policy message of the financial instability hypothesis and what institutional arrangements are necessary? [64 words]
91. In closing, Keen says that the chaotic dynamics in his paper should warn us against what? [20 words]

THE ECONOMICS OF MICHAEL KALECKI (1899-1970)

Tcherneva, Pavlina (February 2012). "Inflationary and Distributional Effects of Alternative Fiscal Policies: An Augmented Minskyan-Kaleckian Model," Working Paper No.706, Levy Economics Institute.

<http://personal.tcu.edu/jharvey/30233/Tcherneva.pdf>

Reading

92. For Keynes, the very existence of fiscal policy was to correct what two outstanding faults of society? [17 words]

Lecture

2. Basic Two-Sector Model

93. Show how, starting with $P_c Q_c = W_c N_c + W_l N_l$ in the basic two-sector model, consumers spend what they get and investors get what they spend.[six equations and some notes]
94. Derive the price equation for the basic two-sector model starting with $P_c Q_c = W_c N_c +$

W_1N_1 . Clearly indicate which portion is the markup over cost in the C sector. [6 equations plus show which part is markup)

Reading

95. Write the Kaleckian price equation and use it to explain why an investment-led expansion is more likely to cause inflation than a consumption-led one. [61 words—I will help with this one in class]
96. The basic two-sector model describes earlier (pre-WWI) market economies where governments and trade contributed little to output and in which what is the normal condition and it is prone to what forces? [13 words]
97. The relatively large share of government spending in GDP in the post-WWII period means what (and what sort of bias does this introduce)? [17 words]

3.2 Government Spending on Transfer Payments to Firms in the form of Investment Subsidies:

TR_{IS}

Reading

98. Government stimulus programs typically end up as investment subsidies (i.e., money for increases in investment spending that then, hopefully, generate sufficient demand to induce the private sector to hire the unemployed). Tcherneva argues that this is a problem because a) it might not be very effective in spurring new investment and b) money spent in this way tends to go to profits (rather than to the unemployed workers). Something she doesn't discuss but is also true is that a side effect might be the lowering of the income multiplier. Why is that (Tcherneva does not explain this, you'll have to figure it out)? [24 words]

3.3 Government as Employer via Indirect Job Creation

Reading

99. What kind of unemployment can never be addressed by government policies unemployment insurance, investment subsidies, or indirect job creation? [one word]

3.4 Government Direct Job Creation via the Employer of Last Resort Program

Reading

100. Tcherneva argues that, under an employer of last resort program, even the most unskilled person can do something in the public sector that does what? [39 words]
101. How high is the ELR wage relative to that in the consumption and private sectors? [5 words]

POLICY

Lecture

102. Draw the chart that compares traditional deficit spending with an ELR regarding the following: deliberation, size, flexibility, policy entry point on Z-D, unemployment reduction method, primary beneficiary, efficiency, and abuse. [93 words]

FYI: In 2010, unemployment was 9.6%. Social safety net spending (discounting the elderly) was around \$421 billion, while paying every single unemployed person \$10/hour for 40 hours for 50 weeks (+25% for miscellaneous costs) would have been \$366 billion and it would have created 0% unemployment. Meanwhile, the fiscal stimulus package passed in response to the Great Recession (the American Recovery and Reinvestment Act of 2009) spent around \$185 billion in 2009, \$400 billion in 2010, and \$135 billion in 2011. Over the ten years of planned spending from the act, \$250 billion in total was earmarked for health care, unemployment, and housing. Unemployment was 9.35%, 9.6%, and 8.9%.

103. Draw the diagram that shows (using Kalecki's notation) how the entry points and means by which unemployment is reduced for both traditional deficit spending and an ELR.

Tcherneva, Pavlina (February 2012). "Unemployment: The Silent Epidemic," Working Paper No.895, Levy Economics Institute.

http://www.levyinstitute.org/pubs/wp_895.pdf

104. Tcherneva argues that unemployment behaves more like what than a random shock event? She later adds that says the "success" of the current fall in unemployment is largely due to what? [14 words]
105. To make matters worse, unemployment breeds unemployability. Employers view nine months of unemployment as the equivalent of what? [9 words]
106. A metadata analysis of 63 countries revealed that how many suicides are due to unemployment? [5 words]
107. Tcherneva talks at length about the connection between unemployment and the lives of children and youths. Pick out the two or three things you found most significant and list them. [indeterminate]
108. Tcherneva says that, "When it comes to epidemics, preparedness and prevention are essential." In terms of preparedness, by design, the job guarantee will maintain what? In terms of prevention, what are the two preventative features of the job guarantee? [94 words]
109. In her section on Paying for Goods, Not Bads, Tcherneva says that unemployment is already "paid for" how? [25 words]

Lecture

110. In summary, what are the Post Keynesian policy recommendations with respect to unemployment, inflation, and the financial sector?

NEOCLASSICAL KEYNESIANISM: JOHN HICKS' (1904-1989) INTERPRETATION OF THE GENERAL THEORY

Lecture

111. Draw and IS curve. In what sense does the IS curve represent equilibrium in the product market? [83 words]
112. Draw an LM curve In what sense does the LM curve represent equilibrium in the

- financial market? [98 words]
113. What shifts the IS curve and what sort of policy is it generally used to represent? [28 words]
 114. What shifts the LM curve and what sort of policy is it generally used to represent? [18 words]
 115. What happens to the IS curve as the investment function becomes more interest sensitive and why? [49 words]
 116. What happens to the LM curve as money demand becomes more interest sensitive and why? [62 words]
 117. In the Neoclassical Keynesian model, under what conditions is fiscal policy effective? Explain. [95 words plus schematic]
 118. In the Neoclassical Keynesian model, under what conditions is monetary policy effective? Explain. [73 words]