

Introduction: Practice Problems

1. Which which subfield(s) of macroeconomics best fits the following questions:
 - a. How would an increase in short term interest rates affect inflation and GDP growth?
 - b. Exactly how many jobs were lost due to the negative productivity shock of the 1970s?
 - c. How do changes in political structure (*e.g.* democracy vs. totalitarianism) affect macroeconomic performance?
 - d. Why do countries with lower fertility rates appear to be wealthier than countries with higher fertility rates?
 - e. Miracle Whip or Mayo?
2. Suppose that wages unexpectedly increase by 10% while prices for goods and services unexpectedly increase by 5%. Discuss the redistributive effects of this inflation on the following relationships:
 - a. employees and firms
 - b. savers and borrowers
3. Which of the following are examples Pareto efficient allocations?
 - a. the elementary model of supply and demand presented in your Introductory Microeconomics class
 - b. a model that includes roads, bridges, and other infrastructure
 - c. a model with just one supplier of labor
 - d. a model with exactly 1,000,000 suppliers of labor
 - e. a model where one firm's production reduces the efficiency of every other firm in the market
 - f. a model where the government supplies the efficient level of all public goods and pays for these goods with a proportional income tax