

## Macro Basics: Key

1. Which subfields within macroeconomic are the following questions most closely related?
  - a. This is open economy macroeconomics. The key question is how a macroeconomic event in one country affects the economy of another.
  - b. This is the study of business cycles, short run changes in macroeconomic performance.
  - c. This is the study of economic growth, long run macroeconomic performance.
  - d. This is macro-finance, the relationship between the aggregate economy and financial markets.
2. This is an open ended question. In the short run allowing child labor would probably increase GDP but, most would agree, it would reduce welfare.
3. GDP growth accumulates over time. The 1% increase in GDP growth is preferable to a one time 1% increase in GDP.
4.  $= \$1.02^{50} = \$2.69$ .
5. False. The relevant comparison is between the economy with the policy change and a hypothetical world where the policy change never occurred. Because the latter is unobservable, this comparison is relatively hard to make.