

Midterm 1 material

Midterm 1 covers class material given in Lectures 1 through 10, including Homeworks 1 and 2, and material in Chapters 1, 3 and 4 of the main textbook. Some of the topics, concepts, problems in Midterm 1 includes (but is not limited to) the following:

1. 2-period OLG model of money and its main assumptions.
2. Preferences over consumptions bundles and properties of indifference curves.
3. Resource constraint and set of feasible allocations. Optimal (“golden rule”) allocation.
5. Competitive equilibrium and trades in competitive equilibrium.
6. Autarky. Equilibrium with money.
8. Individual budget constraints, lifetime budget constraint.
8. Money market clearing condition. Finding the real return on fiat money.
10. Velocity of money. Quantity theory of money.
11. Money supply. Inflation. Inefficiency of inflation.
12. Seignorage. Lump-sum tax and inflation as distortionary tax. Hyperinflation.
13. Exchange rate. 2-country 2-period OLG model and its assumptions.
14. Foreign currency controls. Fixed and flexible exchange rate regimes.
15. No foreign currency controls. Fixing the exchange rate.
11. Be able to demonstrate concepts/results on (c_1, c_2) diagram.
12. What is the effect of
 - (a) population growth,
 - (b) money supply growth,
 - (c) individual productivity growth (that is, growth in y)on
 - (1) optimal consumption allocation
 - (2) equilibrium consumption allocation
 - (2) inflation
 - (3) real return on fiat money
 - (4) exchange ratein OLG model(s)?