

ECO 445/545: Study Guide for Midterm

Spring 2015, Professor Jack Rossbach

Format of the Midterm

50 minutes (No extra time since we have a class immediately after us)

- One question where you define an equilibrium for a specific economy. Counts for most points.
- Two multi-part questions that are similar to the online homework assignments
- Ten fill-in-the-blank or true/false questions

Midterm Rules

- Can use either pen or pencil. Can bring a ruler if you want, but not necessary.
- No calculators, no computers, no phones, no talking
- Raise your hand if you have a question (only question worth asking is if you think the test has a mistake/typo, I won't provide additional clarification on problems or say if you're doing it right)
- Can't leave room until after you finish midterm
- No makeup for the midterm. If you have a [legitimate medical excuse](#), the final will absorb the midterm's weight. If you do not have a legitimate medical excuse, you will receive a zero.
- Cheating will result in a grade of zero and being reported for academic misconduct

What You Should Study

Lecture Slides:

- All lectures slides are important to review
- Most important slides are weeks 2, 3, 4, and 6.
- Weeks 1, 5, and 7 you need an intuitive understanding of the material; but I won't have you solve/setup detailed problems

Textbook:

- Midterm covers chapters 1,2,3,9, and 10. Focus is chapters 3 and 9 (plus the lectures slides discussed above).

Assignments:

- Should review all online assignments (I posted printouts on my website if you don't have access). Several of the problems on the exam will be similar to questions from the online assignments.
- Problem Set 1 is not representative of the exam. I will ask you to define an equilibrium (as I did in Problem 1), but there will be no computer questions and you won't have to solve for an equilibrium algebraically.

What You Need to Know

- How to define an Equilibrium
- How budget constraints and market clearing conditions change for different economies

- Exogenous variables and endogenous variables
- The partial equilibrium graphs from the slides and homework assignments. For example how to construct a Relative Supply-Relative Demand graph, how a tariff/quota works in a single market.
- Understand terms like comparative advantage, opportunity cost, autarky, small open economy, relative prices, pattern of specialization, terms of trade, difference between tariffs and iceberg costs, all the parts that go into defining an equilibrium such as preferences and production functions.

What WON'T be on the Midterm

- Won't need to solve for an equilibrium (Will need to set one up)
- Won't need to setup/solve the Ricardian model with a continuum of goods. Should understand the results of the model intuitively, e.g. what happens to the range of goods produced/exported
- The political economy stuff and why economists support free trade won't be heavily featured on the exam. Should have an intuitive understanding, but don't need to memorize detailed facts. May have an extra credit question on something related to political economy of the WTO/GATT.
- Don't need to understand Autor, Dorn, Hanson (2013) or Kondo (2015).
- Nothing in chapters 4,5,6,7,8 will be on the midterm.