Information Regarding the Final Examination

The final exam will be: **Monday, December 14, 5:00 - 8:00 p.m., in Pauley Ballroom**

The exam is a closed book exam. You do not need bluebooks. No calculators or electronic devices allowed.

The final is worth 40 percent of your grade. You **must** take the final in order to pass. If you do not attend the final, you will receive an F in the course.

There will be two parts to the exam. Part I (140 points) will cover the material from any point in the course. Part II (60 points) will be the comprehensive essay question on the reverse of this handout.

You can study with others but you will, of course, have to write your own essay. As the essay is graded, the GSIs will need to distinguish between someone who clearly understands the subtleties of the material and someone who “mostly gets it, usually.” The more clear and detailed your essay, the better your grade. You should write an essay, not an exam answer. You need to have paragraphs and sentences. You can use symbols as shorthand but should use them in the context of a sentence. For example, “When \( YD \) increases, consumers tend to increase \( C \)” is ok. But “\( \Delta YD \rightarrow \Delta C \)” is not.

The GSIs and Professor Olney can not pre-grade your essay. In the next few days, please do not ask us to look at your outline nor ask us questions such as “How would you answer that?” You may ask clarifying questions of Professor Olney. E-mailing questions to Prof. Olney is helpful because if the question comes up several times, she will forward the question and her answer to the entire class by email.

Any form of cheating whatsoever will warrant a zero (0) on the final and an “F” in the course. Instances of cheating are reported to Center for Student Conduct and Community Standards which may administer additional punishment.

You may leave when you have finished the exam.

Course grades are determined by adding together your scores on the midterms, the homework, section participation, and the final. We do take improvement into account. Uniformity of grading standards (i.e., being sure the same quality of work receives the same letter grade) is ensured by having the GSIs cross-read each other’s exams. The process works. This way, every GSI is giving a B for the same *quality* of work, rather than for the same number of points. This means that you don’t have to worry if your GSI has lower averages than other GSIs, since the letter grades depend upon the quality of work and not upon the number of points. Students taking the course under the P/NP option must earn at least a C- in order to receive a P.

You will be able to retrieve your grade electronically via BearFacts on December 21. Scores on the final will be posted to bspace / gradebook late in the day on December 18.

Your exam will be held by the Economics Department for 12 months. Finals cannot be re-evaluated once grades are submitted to the University. You can look at your graded exam in Room 508-1 Evans Hall after about January 15.

If you miss the final, you must contact both your GSI and Professor Olney by phone and e-mail immediately and you must leave a phone number where you can be reached. Students who miss the final are **not** automatically entitled to an Incomplete. Professor Olney completes your application for an incomplete but the department chairman decides whether or not an incomplete is warranted. Incompletes will be completed by taking the final exam for Economics 100B next semester. Prof. Olney is not teaching Econ 100B again until Fall 2010.

As information about review sessions becomes available, Prof. Olney will forward it in an announcements email.
Congratulations! You’ve just been hired as an intern by your representative in Congress. What a great job! The Representative admires your Cal education, and wants you to use your knowledge of macro to prepare a briefing paper on this question: Should I vote for a second fiscal stimulus bill? The Representative wants you to consider all sides of the issue and present a fair and balanced report. Don’t use lingo (MPRF is lingo; “Federal Reserve monetary policy” is not). Graphs may not help; your Representative might not understand them. But do explain things clearly and highlight relevant assumptions. Here is the memo to you.

Welcome to my staff. I need to decide whether or not to support a second fiscal stimulus bill. Please prepare a briefing paper on the long-run and short-run effects of a second fiscal stimulus bill. I pose some questions below and suggest you use them as an outline for your paper. If there are questions I don’t ask that you think are relevant to my decision whether or not to support a second fiscal stimulus bill, go ahead and tell me what I need to know.

- What is the state of the economy today? How is the labor market doing?

- I think any justification of the use of fiscal policy ought to also consider the alternative: monetary policy. Certainly the usual preference for curing recessions is to use monetary policy. That worked in the 1982-83 recession, didn’t it? Why don’t we just use monetary policy to cure this recession?

- One argument I’ve heard against another fiscal stimulus is that increasing government budget deficits will raise interest rates and worsen economic growth. Why? Is this always true? I can always try to change the specifics of the bill – what percent is spending versus taxes versus transfers, and even specific types of programs in each of these three categories. Does the impact on interest rates and growth depend on the specific nature of the fiscal stimulus?

- An argument I’ve heard in favor of another fiscal stimulus is of course the need for more jobs. How is it that another stimulus bill will create more jobs? Again, I can propose amendments, so I ask: does the specific nature of the fiscal stimulus impact its ability to create jobs?

- We had one stimulus bill for $787 billion and still the unemployment rate passed 10 percent, even though the President’s advisors said a year ago that unemployment wouldn’t go above 8 percent. Isn’t this evidence that the stimulus bill had the opposite effect: worsening unemployment rather than improving it?

- Some of my colleagues want to impose new restrictions on the Fed’s independence in its conduct of monetary policy. I’ve heard there’s a petition circulating amongst economists claiming that Congressional audit and oversight of the Fed would reduce the Fed’s credibility. I’ve got two questions for you. Why should I care about Fed credibility? And does this have anything to do with the effectiveness of a fiscal stimulus bill?

- Finally, I’m interested in what you’d do and why. Would you vote for a second fiscal stimulus bill? Would you propose any specific amendments to the bill? Why?