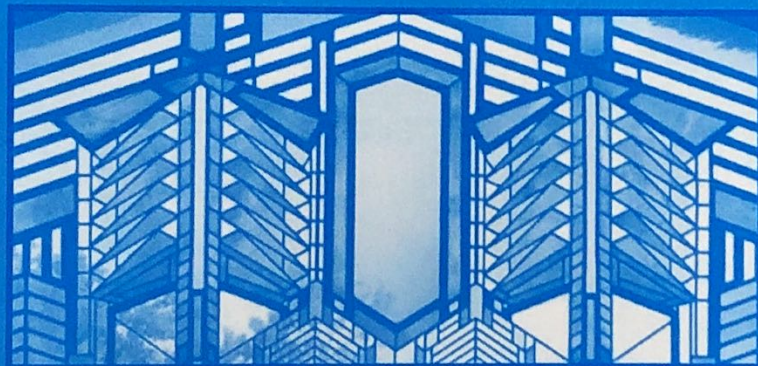


Study Guide

for use with

PRINCIPLES OF MACRO ECONOMICS

SECOND EDITION



ROBERT H. FRANK
BEN S. BERNANKE

Prepared by
Jack Mogab
Bruce McClung

Study Guide

for use with

Principles of Macroeconomics

Second Edition

Robert H. Frank
Cornell University

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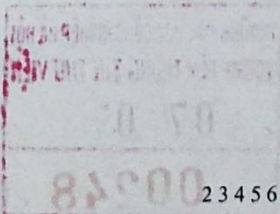


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To the Student

Welcome to the study of economics. We believe you will find the subject thoroughly intriguing. As you become an "economic naturalist" you will gain a clearer understanding of many important issues that currently may be perplexing to you. For example, what determines the cost of a car, or the salary you will earn when you graduate? Why does the economy experience booms and busts? How does the banking system create money? Why are federal deficits and surpluses so controversial?

These and many other topics are addressed in *Principles of Economics*, *Principles of Microeconomics*, and *Principles of Macroeconomics*, 2nd Editions by Robert H. Frank and Ben S. Bernanke, for which these Study Guides have been written. The Study Guide chapters parallel the chapters in the corresponding textbook, and each contains the following eight sections designed to assist your learning and to enhance your understanding of economics:

1. **Pretest.** This will test what you really know about the basic concepts and principles in the chapter and what you need to review before continuing on with more in-depth testing.
2. **Key Point Review.** The Learning Objectives for the chapter are listed to identify important concepts to master. The chapter's main ideas are summarized, and new terms are defined. **Hints** and **Notes** are provided to alert you to "tricks, clues and short-cuts".
3. **Self-Test: Key Terms.** All new terms are listed. Check your knowledge of key definitions by matching the term in the right-hand column with the appropriate definitions in the left-hand column.
4. **Self-Test: Multiple-Choice Questions.** Strengthen your grasp of the chapter material by choosing the correct answer from the alternatives for each question. Your ability to answer multiple-choice questions should serve as a good indicator of success on exams. You may wish to study for exams by reviewing these questions.
5. **Self-Test: Short Answer/Problems.** Here you will discover how the tools of economics can be applied to explore and clarify important issues. Problems are developed step by step. You are asked to analyze graphs and tables, to perform basic computations, and to select the best answers to a variety of fill-in statements.
6. **Economic Naturalist Applications.** Become an economic naturalist by applying the tools of economics to discuss these real-world issues with your classmates.
7. **Go To The Web.** This section will serve as a bridge between the Study Guide and the web-based E-Learning materials at <http://www.mhhe.com/economics/frankbernanke2>.
8. **Solutions.** Solutions, with explanations for the more complex and difficult items in the self-tests, are provided for the key-term, and multiple-choice questions, as well as for the short answer/problems.

The following suggestions will help make your study of economics successful:

Class Preparation or Must I Turn Off the TV?

It is essential that you prepare assignments BEFORE attending class so that you can understand the lecture and ask questions. Your instructor typically will not present all the materials in the text, but rather will concentrate on explaining the more complex ideas and applications. In preparing for class, first read the "Key Point Review" to identify the learning objectives for the chapter. Next, go to the chapter in the text. Read the "Summary," "Core Principles," and the "Key Terms" at the **end** of the chapter. Then, read the introductory

section that will provide an overview of the topics to be covered in the chapter. The number of topics will range from 4 to 7. Read and study one topic at a time, i.e., begin at the bold, upper-case red color heading and read until you get to the "Recap" box. Look for the paragraphs in the chapter that define and explain the concepts, principles, and laws related to that topic. These concepts, principles, and laws are listed at the end of each chapter as "Key Terms." As you read, mark these "terms" (as many as 3 to 5 per topic). You will notice that each topic can be presented in three modes--verbal, numerical (tables), and visual (graphs). This variety of presentation is important since economics is communicated through all three modes, and the test questions will reflect all three. After you have completed reading a topic, take a few minutes to read the Recap box. Verify that (1) you know (i.e. remember) the topic and important terms; (2) you understand (i.e. comprehend) that material; (3) you can relate the terms to one another when appropriate; and (4) you can relate the topic to the other topics in the chapter. Complete all the assigned topics in the above manner and write down any questions you have for the instructor.

Class Attendance or Why Not Go To the Rec Center?

Frankly, economics is such a demanding course that you will need all the help you can get. A great deal of that help comes from your instructor's lectures. The instructor's style and presentation will show you not only what the instructor considers to be important, but also how s/he approaches this subject. Getting notes from a friend will not give you this information. If you have followed the above suggestions in preparing for class, you will have some knowledge and understanding of the assigned topics. In class, the trick is to carefully combine four classroom skills - listening, taking notes, answering questions, and responding to questions. Listen with your mind. Be selective in what you write down. If you try to write everything that the instructor says, you will not have time to learn anything. For example, do not write a definition that has been given in the text. Listen for examples that differ from those in the text, special emphasis on a relationship between topics, and frequently repeated principles. Asking questions is the responsibility of the student. If you don't know enough to ask questions, you haven't done your job. If you have difficulty formulating questions during class, you should spend some time before class developing a list of questions you need to have answered. On the other side of the coin, you should also respond to the instructor's questions. You should not be shy about answering questions in class. An incorrect answer given in class is a free shot, while the same wrong answer on the test is very costly. The most effective way to use class time is to develop your ability to comprehend and apply economics concepts.

After Class or Do I Have To Do This Again?

Even if you have meticulously prepared for class and performed those four classroom behaviors, you still have a couple of things to do before you will be at the mastery level of the material. First, your class notes should be sketchy. You need to rewrite these notes in a more complete way before they get cold. Next, return to the Study Guide. Complete the three Self-Tests without referring to the text, and check your answers with the Solutions at the end of the Study Guide chapter. If your answers are correct, go onto the Economic Naturalist and the Go To The Web sections. If your answers to some of the questions are incorrect, go back and review the text and your class notes for those topics. Then return to the Study Guide Self-Tests to complete the questions you answered incorrectly (to further test your mastery of the material, go to the Electronic Learning Session in the Student Center at the Frank/Bernanke web site: <http://www.mhhe.com/economics/frankbernanke2>). If you still do not understand

the answers to the questions, either ask questions in the next class or go see your instructor for help.

If You Want To Learn It, Teach It.

To further test your comprehension of a topic, try explaining it in your own words to a classmate. Illustrate the idea with an example. If you can explain it clearly and give a good example, you have mastered the concept and its time to move on to the next chapter.

A Final Word

If the strategy outlined above seems like a lot of work, it is. You cannot achieve success in economics without hard work. It is estimated that the average student should spend 2-3 hours of quality study time for every hour spent in class.

Acknowledgments

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Bruce McClung
Jack Mogab
June 2003

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