Econ 371 Fall 2007
Midterm Review

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Key Concepts

- Chapter 13
  Foreign exchange market, arbitrage, depreciation, appreciation, interest rate differentials, uncovered interest parity, risk, liquidity, expected rate of return, expectations, expected depreciation, equilibrium exchange rate, forward exchange rate, covered interest parity

- Chapter 14
  Law of one price, purchasing power parity (PPP), absolute PPP, relative PPP, monetary approach, money supply, money demand, interest rate, money market, monetary expansion or money injection, monetary contraction, open-market operation, trade barriers, trade frictions, tradables, nontradables, traded goods, nontraded goods, imperfect competition, real exchange rate, real appreciation, real depreciation, Fisher effect, real interest rate parity, nominal anchor

- Chapter 15
  Price rigidity, sticky price, price flexibility, short run, medium run, long run, asset market approach to exchange rate exchange rate overshooting, exchange rate dynamics, time path, fixed exchange rate regime, Trilemma

- Chapter 16
  GNE, GDP, GNI, balance of payments, current account, capital account, financial account, official settlements balance, nonreserve financial account, current account deficit (surplus), trade deficit (surplus), fiscal deficit (surplus), savings-investment gap, capital flows, lender, borrower, net foreign assets, external wealth, external debt, debtor, creditor, capital gains (losses), valuation effects