Product Market Review

1. Explain the consumption function, induced and autonomous consumption.
2. Identify and define the categories of consumption expenditures.
3. Explain the permanent income and life cycle theories of consumption.
4. Explain the relationship between consumption and savings, and measures of savings.
5. Calculate and use a simple expenditure multiplier to determine economic impact.

6. Explain the importance and role of investment, including how it is financed.
7. Explain the investment function, induced, and autonomous investment.
8. Identify and define the categories of investment expenditures.
9. Explain the difference between gross and net investment.
10. Explain what determines investment supply and demand.

11. Identify and define the economic functions (stabilization, allocation, and distribution) of government.
12. Explain public goods, and problem of the commons.
13. Explain positive and negative externalities, the relationship among social, external, and private marginal benefits and costs.
14. Explain asymmetric information, moral hazard, and adverse selection.
15. Explain how Social Security collects, pays, and invests its funds.

16. Explain the various concepts of fiscal drag, crowding out, lags, and automatic stabilizers.
17. Explain how is fiscal policy used to stabilize the economy.
18. Explain the tax concepts of vertical equity, horizontal equity, ability to pay, and benefits received.
19. Compute the average and marginal tax rates.
20. Explain the concept of government failure.

21. Explain how the current account and the capital account are calculated in the balance of payment accounting.
22. Explain the effect appreciating and depreciating currency on the current account.
23. Explain the effect appreciating and depreciating currency on the capital account.
24. Explain trade barriers such as tariffs, quotas, standards (including domestic content rules), dumping, and subsidies.
25. Explain the trade theories of absolute advantage and comparative advantage.

26. Given an exchange rate change, determine which currency is appreciating and depreciating.
27. Given a foreign exchange graph, explain demand or supply curve shift effects.
28. Given a foreign exchange graph, with a fixed exchange rate, explain what will be the effects.
29. Explain Purchasing Power Parity; absolute and relative, assumptions, and problems.
30. Explain the various exchange rate regimes: fixed, managed, and floating.