

Survey of Economics V2 | Table of Contents

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- Interpret supply schedules and supply curves (5)
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29.3 How Governments Enact Trade Policy and The Tradeoffs of Trade Policy

- Explain The main objective of the WTO/GATT and understand regional trade agreements (5)
 - Explain the relationship between free trade and domestic interests and how trade policy has evolved over time (4)
 - Explain why free trade should be a first priority for policymakers (4)
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Appendix

Indifference Curves

- Draw an indifference curve (10)
- Interpret an indifference curve and explain its slope (5)
- Explain why higher indifference curves are preferred to lower ones and how indifference curves differ across individuals (4)
- Understand how an individual uses indifference curves and a budget line to maximize utility (5)
- Explain how changes in income affect the utility maximizing choice (4)
- Identify the income and substitution effects graphically (10)
- Draw a labor-leisure indifference curve and budget line (10)
- Explain the effect of a change in the wage on a worker's labor-leisure choice (5)
- Draw an intertemporal choice indifference curve and budget line (10)
- Explain the effect of a change in the interest rate on the choice between present and future consumption (5)
- Sketch income and substitution effects (10)

Present Discounted Value

- Calculate present discounted value of a stock (10)
- Calculate present discounted value of a bond and understand the relationship between present value and interest rates (10)

The Expenditure-Output Model

- Identify aggregate expenditure, the 45-degree line, and potential output on a graph (5)
 - Define MPC and MPS (4)
 - Draw a pre-tax consumption function (10)
 - Explain the investment function and government spending function (4)
 - Draw a post-tax consumption function (10)
 - Explain the exports function and draw an imports function (10)
 - Use the expenditure-output model to calculate expenditure and analyze how changing components affect expenditure (10)
 - Explain equilibrium in the Keynesian cross model (10)
 - Identify inflationary and recessionary gaps on an aggregate expenditure gap (5)
 - Calculate and explain the spending multiplier (10)
 - Use the spending multiplier to calculate the effect of an increase in spending on Real GDP (10)
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