

**Chapter 7**

**Financial Markets:**

***What economics can tell us about getting rich quick***

***(and losing weight, too!)***

1.  What are the four basic needs all financial instruments are based upon?

2.  Why doesn’t everyone get rich in the market?

3.  What is the main premise of the *efficient markets* theory?

4.  What is the basic set of rules to which any decent investment advice must conform?

**Chapter 9**

**Keeping Score:**

***Is my economy bigger than your economy?***

1.  What is the difference between real GDP, nominal GDP, and per capita GDP?  What doesn’t GDP do or measure?

2.  Are pantyhose really that much more expensive than they were a century ago.  Explain in detail.

3.  What are the pros and cons to a recession?

4.  Explain how the economic indicator, unemployment, is one of the true determinants of how vital economy is.

5.  Explain to the autoworker in Detroit how the business cycle works for him in the long run?

**Chapter 11**

**International Economics:**

***How did a nice country like Iceland go bust?***

1.  What is PPP?

2.  What is an official exchange rate and why does it tend to deviate from what the PPP predicts? Why is it hard to predict movements in exchange rates?

3.  What are the advantages and disadvantages of the gold standard?

4.   What are the advantages and disadvantages to broadening a currency zone?

5.  Explain the current relationship between the U.S. and China. Why is the US running an account deficit?

**Chapter 12**

**Trade and Globalization:**

***The good news about Asian sweatshops***

1.  Explain globalization.  Who are the winners and losers in globalization?

2.  Explain the connection between productivity, specialization, and trade.

3.  How does trade benefit the poor?  Give an example in your answer.

4.  Free trade is consistent with one of our most fundamental liberal values.  What is this value?  Give an example.

5.  Why are workers willing to accept a dollar or two a day to work?  What comparative advantage do poor countries have?

**Chapter 13**

**Development Economics:**

***The wealth and poverty of nations***

1.  What does a government need for effective institutions?  Agree or disagree? Why?

2.  Explain the human capital trap and how it can be a vicious cycle

3.  Explain how if we changed the incentives, companies would care more about sleeping sickness as they do about canine Alzheimer’s.

4.  What happens with countries that trade more?

5.  Explain how chronic deficit spending and our current U.S. situation in Iraq relates or does not relate to responsible fiscal and monetary policy