Professor Goldberg discussed, again, the importance of the “fundamental idea” to understand short-run movements in output. Make sure you know how the fundamental idea works. He also emphasized that you need to know the components of C (aggregate consumption)?

The main questions that you should be able after this class are:
- What is investment?
- What are the factors that affect investment? Explain how they work.
- Does investment depend on the level of income? In this class, is investment treated as “autonomous”?  
- What is G (government expenditure) – define it-? What do we mean by ‘government’?
- What are the main factors included in G? Included in T?
- What are the determinants of G? Do we assume that G is autonomous?
- What is net exports?
- What is ‘aggregate spending’ equal to?
- What is the 45° line? What does it say?
- Define the expenditure function?
- Remember the differences between ‘shift’ of the curve and movements along the curve
- The fundamental idea leads to a second main conclusion. What is it?
- Define the multiplier effect?
- What does a MPC of .8 tell you?