

Chapter 9

Objectives

- Define saving, saving rate, wealth, assets, liabilities, stocks, flows, capital gains and capital losses
- Explain the link between saving and wealth
- Discuss factors that change wealth
- Identify three reasons for saving
- Explain the relationship between saving and the real interest rate
- Discuss why the U.S. household saving rate is so low and whether it is a macroeconomic or microeconomic problem
- Define national saving and transfers
- Define private saving and its components
- Define public saving and government budget deficit/surplus and explain the relationship between them
- Apply cost-benefit analysis to the investment decision
- Identify factors that affect the costs and benefits of investment
- Use supply and demand to analyze national saving
- Define crowding out