Name:
Weekly Review 11 – Due Thursday, 05/13
Bring to class, having attempted as much as possible
We will grade in class
Turn in corrected assignment to Blackboard after class

1. Name the following variables for the Keynesian Cross Model (2 points):
    a) C:
    b) mpc:
    c) Y:
    d) $\bar{C}$ “c-bar”:
    e) G:
    f) I_i “i sub i”:

2. (1 point) Suppose that autonomous investment (I) increases in the Keynesian macroeconomic model. What will happen to the aggregate demand curve?

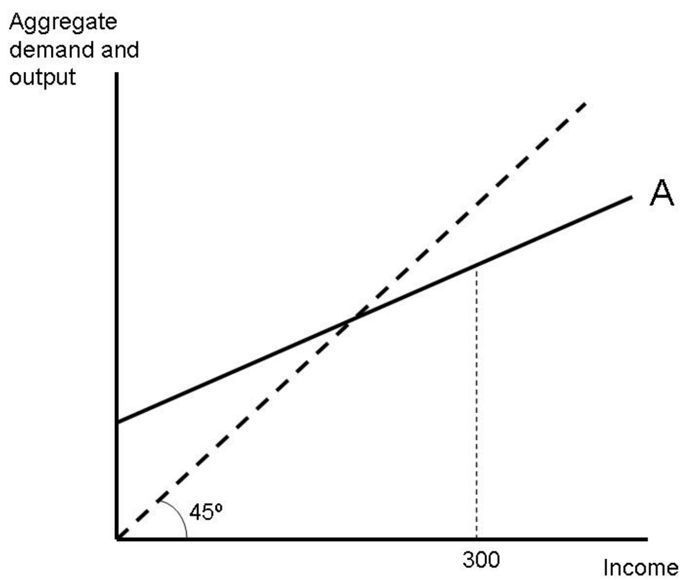
    a) The entire aggregate demand curve will shift up.
    b) The entire aggregate demand curve will shift down.
    c) The aggregate demand curve will get steeper.
    d) The aggregate demand curve will get shallower.

3. (1 point) Which one of the following would NOT cause a shift in the aggregate demand (AD) curve?

    a) An increase in government spending
    b) An increase in autonomous consumption
    c) An increase in net exports
    d) An increase in inflation

4. (1 point) According to the Keynesian model, income (Y) will be equal to aggregate demand (AD) only when …

    a) households do not save.
    b) actual household consumption is equal to intended consumption.
    c) household saving is equal to imports.
    d) actual business investment is equal to intended investment.



5. (1 point) In the above Keynesian cross diagram the solid line labeled “A” represents what curve?:

    a) Aggregate demand
    b) Income
    c) Inflation
    d) Output

6. (1 point) In the above Keynesian cross diagram, which one of the following is TRUE at an income level of 300?:

    a) Households will have saving equal to 300.
    b) The level of aggregate demand is higher than the level of output.
    c) Businesses will experience excess inventory accumulation.
    d) Businesses will experience excess inventory depletion.

7. (1 point) Which one of the following statements best describe why the aggregate supply (AS) curve slopes upward?

    a) As inflation rises, consumers will want to spend more.
    b) As firms run into “bottlenecks” in the supply of some resources, they will bid prices up more quickly, causing inflation to rise.
    c) As inflation rises, firms will be less likely to undertake new investments.
    d) As output rises, the Fed will allow inflation to rise.

8. (1 point) Suppose a hurricane damages a coastal region with a large oil refining industry. What would be the most likely effect of this damage in the AD/AS model?

    a) The AD curve would shift to the right.
    b) The AD curve would shift to the left.
    c) The AS curve would shift to the right.
    d) The AS curve would shift to the left.

9. (1 point) Under what conditions is a wage-price spiral most likely to occur?

    a) When the AD curve shifts upwards.
    b) When the AD curve shifts downwards.
    c) When the economy is in a recession.
    d) When the economy is near the maximum capacity output.