

Name:

Weekly Review 5 – Due Friday, 10/08

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 Consumption Function (2 points):

a) C: _____

b) mpc: _____

c) Y: _____

d) \bar{C} "C-bar": _____

2. (1 point) Autonomous consumption refers to...

a) income that is not spent.

b) spending by households that is decided before receiving income.

c) business spending.

d) goods bought by people in other nations.

3. Suppose that Jane's disposable income increases from \$30,000 per year to \$35,000. At the same time, her consumption changes from \$26,000 per year to \$29,000 per year. What is Jane's marginal propensity to consume? (1 point):

a) 0.3

b) 0.4

c) 0.6

d) 0.8

4. Using the same numbers as question 3, what is Jane's marginal propensity to save? (1 point)

a) 0.7

b) 0.6

c) 0.4

d) 0.2

5. (1 point) If taxes increase, the consumption curve will:

a) shift up.

b) shift down.

c) rotate clockwise.

d) rotate counterclockwise.

6. (1 point) If the marginal propensity to consume increases, the consumption curve will:

- a) shift up.
- b) shift down.
- c) get flatter.
- d) get steeper.

Indicate whether the following statements are true or false (1 point each).

- 7. As interest rates rise, people will choose to hold more money.
- 8. As interest rates rise, people will choose to hold more bonds.
- 9. In general, banks hold most of their money on site.