

Name:

Weekly Review 5 – Due Thursday, 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 Cross Model (2 points):
 - a) C: _____
 - b) mpc: _____
 - c) Y: _____
 - d) \bar{C} : _____

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? (2 points):
 - 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. Suppose that investment increases in the Keynesian macroeconomic model. What will happen to the aggregate demand curve? (1 point)
 - a) The entire aggregate demand curve will shift up.
 - b) The entire aggregate demand curve will shift down.
 - c) The aggregate demand curve will rotate clockwise.
 - d) The aggregate demand curve will rotate counterclockwise.

6. Suppose that investment increases in the Keynesian macroeconomic model. What will happen to the consumption curve? (1 point)
 - a) The entire consumption curve will shift up.
 - b) The consumption curve will rotate counterclockwise.
 - c) The consumption curve will shift up and rotate counterclockwise.

d) There will be no change to the consumption curve.

7. (1 point) If taxes increase, the AD and Consumption curves will
- a) shift up.
 - b) shift down.
 - c) rotate clockwise.
 - d) rotate counterclockwise.
8. (1 point) If the marginal propensity to consume increases, the AD and Consumption curves will
- a) shift up.
 - b) shift down.
 - c) rotate clockwise.
 - d) rotate counterclockwise.