

Name:

Weekly Review 8 – Due Thursday, 10/29

Bring to class, having attempted as much as possible

We will grade in class

Turn in corrected assignment to Blackboard after class

1. (1 point) The CORE textbook uses different variables for the Keynesian Consumption function than we have used in class even though it's the same line. Match the variables we have used before with the variables from the CORE textbook that have the same meaning.

Variables from class lecture slides

Variables from CORE textbook

C

C_0

mpc

Y

Y

C_1

\bar{C}

C

2. (1 point) Match the variables from question 1 with their meaning:
 - a) Consumption: _____ and _____
 - b) Income: _____ and _____
 - c) Autonomous Consumption: _____ and _____
 - d) Marginal Propensity to Consume: _____ and _____
3. (1 point) In section 14.2, the CORE textbook model doesn't distinguish between income and disposable income. In 14.5, however, they do. Why do you suppose that is?:
 - a) There is an error in section 14.2
 - b) The model in section 14.2 doesn't include a government sector
 - c) The model in 14.2 is based on a laissez-faire government
 - d) The model in 14.2 is based on a neoclassical theory.
4. (1 point) Keynesian Economics suggests...
 - a) Laissez-faire policies regulate business cycles
 - b) Government spending is an effective policy for economic recovery
 - c) Trade benefits all nations when they specialize in their comparative advantage
 - d) Business investment is detrimental to local communities

For the following questions, use the multiplier equation from section 14.2

5. (2 points) Suppose that household disposable income rises \$1 trillion. If the immediate impact to consumption is an increase of \$800,000,000, what is the spending multiplier in that economy? _____

6. (2 points) Suppose the marginal propensity to consume in an economy is 0.8. In an economy with only consumption and investment, what would be the Keynesian multiplier in this economy?
- a) 1
 - b) 5
 - c) 10
 - d) 20
7. (2 points) Suppose household autonomous consumption rises \$5 million. The economy has a spending multiplier of 0.8. By how much will Aggregate Demand increase after the multiplier has done its work?
- a) \$10 million
 - b) \$15 million
 - c) \$20 million
 - d) \$25 million

Question Building Exercise (turn in with Weekly Review 8) (worth 10 points total)
Provide a response to the following prompts. We will work shop this exercise in class.

- A) What is something you have learned at any point in this class? (4 points)
- B) Write a question (What, Why, How) that you can answer with the knowledge you've gained. (3 points)
- C) Write the knowledge you've learned as an answer to the question you just wrote. (3 points)