Name:
Weekly Review 9 – Due Thursday, 11/04
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 idea that what is good on the micro level is not necessarily good for the whole economy is called:
    a) Paradox of thrift
    b) Assymetric information
    c) Fallacy of composition
    d) Crowding out

2. (1 point) The idea that government spending will drive up interest rates, discouraging investment from business is called:
    a) Paradox of thrift
    b) Assymetric information
    c) Fallacy of composition
    d) Crowding out

3. (1 point) The paradox of thrift refers to the conundrum that, while saving is good for the household, savings also:
    a) reduces household well-being in the short run
    b) reduces expenditures on the macro level
    c) causes inflation
    d) takes resources away from investment

4. (1 point) Which of the following is not an example of an automatic stabilizer:
    a) A stimulus check in response to a natural disaster
    b) EBT
    c) Unemployment benefits
    d) Income tax

5. (1 point) Which if the following is not a reason why the AD curve is downward sloping on the P, Y coordinate plane?
    a) When prices go up, the real value of assets goes down
    b) When prices go up, the supply of money decreases in real terms
    c) Inflation hurts NX
    d) At equilibrium, Y=AD

6. (2 points) If government spending increases, then the AD curve will:
    a) Shift up
    b) Shift down
    c) Get steeper
    d) Get less steep

7. (2 points) In an economy modeled with only consumption and investment, suppose the marginal propensity to consume is 0.6. What would be the consumption/investment multiplier in this economy?
   a) 1
   b) 5/3
   c) 2.5
   d) 5

For 1 point extra credit: In your own words, what does it mean for Fiscal Policy that the consumption/investment multiplier is 2.5?