Assignment for week of 1/5 due by Friday (1/9) via email or google docs (if you don’t hand in during class on Thursday)

Consumption and the Multiplier: Chapter 12

Textbook problems 12-2 (a, d, e, f, g); 12-4, 12-5

Fiscal Policy: Chapter 13

Textbook problems 13-2, 13-4, 13-5, 13-16

Appendix problems D2 (pg 299)

Do the following problems (inflationary/recessionary gaps, expansionary/contractionary policy)

LRAS

C + I + G + NX 1. Label the shaded area What is it?

Autonomous consumption line What fiscal policy is designed to address it?

Yf

Real GDP

LRAS 45°

Consumption 2. Label the shaded area

Define it

Fiscal policy to address it?

Real GDP

3. List 2 things that cause movements ALONG the Aggregate Demand Curve

4. List 4 things that cause SHIFTS of the AD curve

5. What causes a movement ALONG the AS curve?

6. List 2 things that cause SHIFTS of the AS curve?

7. MPC and MPS always equal \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

8. What is the multiplier if MPC = 2/3?

9. Nation has a multiplier of 5. Government decides to raise taxes to increase the treasury by $200B. How much will the government have to collect in taxes?

10. Describe the difference between APC/APS and MPC/MPS.