Use the following diagram to answer the next questions

1. Based on the above diagram, the MPC is equal to
   a) 0.75
   b) 0.8
   c) 1
   d) -0.75
   e) None of the above

2. Based on the above diagram, the multiplier is equal to
   a) 0.75
   b) -5
   c) 5
   d) -0.75
   e) None of the above

3. Based on the above diagram, what is the value of unplanned inventories when real GDP is $14 trillion
   a) 0.6 trillion
   b) -0.6 trillion
   c) -0.4 trillion
   d) 0.4 trillion

4. Based on the information in the following table calculate the missing consumption C (marked by question marks in the table below). Assume that the value of the MPC does not change as real GDP changes.

<table>
<thead>
<tr>
<th>Real GDP (Y)</th>
<th>Consumption (C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9000</td>
<td>7200</td>
</tr>
<tr>
<td>10000</td>
<td>8000</td>
</tr>
<tr>
<td>11000</td>
<td>???</td>
</tr>
</tbody>
</table>

   a) 8000
   b) 8800
   c) 9200
   d) 10200

Use the table to find aggregate expenditure and the unplanned change in inventories

<table>
<thead>
<tr>
<th>Real GDP (Y)</th>
<th>Consumption (C)</th>
<th>Planned Investment (I)</th>
<th>Net Exports (NX)</th>
<th>Government expenditure (G)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10000</td>
<td>8000</td>
<td>1000</td>
<td>-500</td>
<td>1000</td>
</tr>
</tbody>
</table>
5. The aggregate expenditure is
   a) 9500
   b) 10000 (because aggregate expenditure equals real GDP)
   c) 8000
   d) 10500

6. The unplanned change in inventories is
   a) No change
   b) A decrease by 500
   c) An increase by 500
   d) An increase by 1000
   e) A decrease by 1500

7. What happens to unemployment rate in the times of recession?
   a) The unemployment rate is usually higher at the times of recession
   b) The unemployment rate is usually lower at the times of recession

8. What happens to inflation rate in the times of recession?
   a) The inflation rate is usually higher at the times of recession
   b) The inflation rate is usually lower at the times of recession

9. In macroeconomic equilibrium aggregate expenditure equals...
   a. CPI
   b. PPI
   c. The change of unplanned inventories
   d. GDP
   e. Change in CPI because CPI measures price level

10. Which component of GDP is represented by C?
    a. Consumption
    b. CPI
    c. Government expenditure
    d. Investments
    e. Net exports

11. Based on the information in the following table calculate the missing consumption C (marked by question marks in the table below). Assume that the value of the MPC does not change as real GDP changes.

<table>
<thead>
<tr>
<th>Real GDP (Y)</th>
<th>Consumption (C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9000</td>
<td>7000</td>
</tr>
<tr>
<td>10000</td>
<td>7800</td>
</tr>
<tr>
<td>12000</td>
<td>??</td>
</tr>
</tbody>
</table>

   e) 8000
   f) 8600
   g) 9400
   h) 10200
   i) None of the above
12. Use the table to find the unplanned change in inventories

<table>
<thead>
<tr>
<th>Real GDP (Y)</th>
<th>Consumption (C)</th>
<th>Planned Investment (I)</th>
<th>Net Exports (NX)</th>
<th>Government expenditure (G)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10000</td>
<td>8000</td>
<td>1000</td>
<td>0</td>
<td>2000</td>
</tr>
</tbody>
</table>

The unplanned change in inventories is
f) An increase by 500
   g) An increase by 1000
   h) No change
   i) A decrease by 500
   j) A decrease by 1000

13. Calculate private savings ($S_{private}$) if public savings ($S_{public}$) are $2$ billion, $G$=$4$ billion, $Y$=$20$ billion, $C$=$12$ billion, $NX$=0 (closed economy), transfer payments (TR) are $2$ billion.
   a) $5$ billion
   b) $4$ billion
   c) $3$ billion
   d) $2$ billion
   e) None of the above

14. What happens to the unemployment rate in the times of recession?
   c) The unemployment rate is usually higher at the times of recession
   d) The unemployment rate is usually lower at the times of recession

15. Calculate the MPC and the multiplier based on the information provided in the following graph
   ![Graph](image)

   a) MPC= 0.8, Multiplier=5
   b) MPC= 0.2, Multiplier=5
   c) MPC=2, Multiplier=10
   d) MPC=0.2, Multiplier=10
   e) MPC=0.2, Multiplier=8
16. What is the change in unplanned inventories when GDP is 14?

a) +0.8  
b) -0.8. Unplanned inventories decrease because when GDP is 14 the aggregate expenditures exceed Y.  
c) -14/12  
d) -2  
e) +2  

17. Suppose the economy is initially in long run equilibrium. The Fed enacts a policy to buy bonds. In the short-run, this expansionary monetary policy will cause:

a. A shift from AD$_2$ to AD$_1$ and a movement to point C  
b. A shift from SRAS$_2$ to SRAS$_1$ and a movement to point D  
c. A shift from SRAS$_1$ to SRAS$_2$ and a movement to point B  
d. A shift from AD$_1$ to AD$_2$ and a movement to point B

18. At which of the points on the above graph the economy is in a recession?
19. If Congress and the president decide an expansionary fiscal policy is necessary, what changes should they make in government spending or taxes?
   a. decrease government spending and decrease taxes
   b. decrease government spending and increase taxes
   c. increase government spending and increase taxes
   d. increase government spending and decrease taxes
   e. none of the above

20. Which of the following is a part of expansionary fiscal policy
   a. Decrease in corporate income tax
   b. Increase in defense spending
   c. Decrease in individual tax rate
   d. All of the above
   e. a) and b) are correct

21. Why does budget deficit increases in the recession?
   a. Higher unemployment lowers the amount collected in income tax and increased unemployment benefits increases the government expenditure
   b. Lower unemployment lowers the amount collected in income tax and decreased unemployment benefits increases the government expenditure
   c. Lower unemployment increases the amount collected in income tax and decreased unemployment benefits increases the government expenditure
   d. Lower unemployment lowers the amount collected in income tax and decreased unemployment benefits decreases the government expenditure