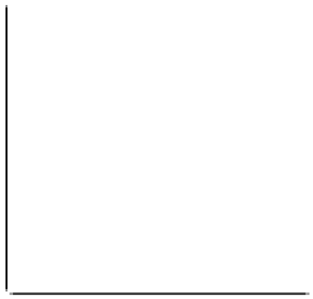
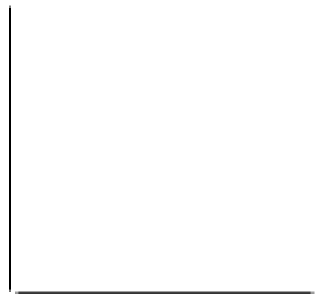
AD/AS Economy Quiz Review

1. Drawing Practice
Economy operating at:

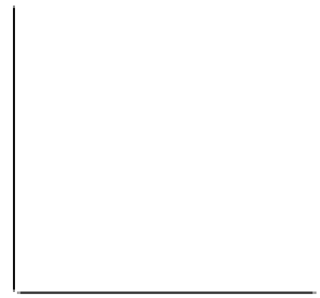
Full Employment



Below Full Employment



Greater than Full Employment



2. Calculate and apply the multiplier:
Example: MPC is .95
Spending & Investment Multiplier_____ Tax Multiplier________

Recessionary gap of $500 billion

How much would the government have to change spending by____________________
Show work:

How much would the government have to change taxes by____________________
Show work:

3. Know the components of aggregate demand, which is the largest, which are interest rate sensitive and why. Additionally, understand how consumer confidence or a lack of confidence affects aggregate demand.

4. Be able to explain the difference between long-run and short-run aggregate supply.

5. Know the three main variables that can cause aggregate supply to shift and how an increase or decrease in any of the variables shifts the short-run aggregate supply curve.