Gazi University   Spring 2014
Department of Economics
ECON 102

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Problem Set 6

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) In macroeconomics, the point at which planned aggregate expenditures equals aggregate output:
  A) is only achieved if net exports are zero.
  B) is where saving is negative.
  C) is the equilibrium point.
  D) only occurs when the MPC is equal to the MPS.

2) If unplanned inventory investment is negative, then:
  A) planned aggregate spending must be less than aggregate output.
  B) planned aggregate spending must be greater than aggregate output.
  C) planned aggregate spending must equal aggregate output.
  D) planned investment must be zero.

Refer to the information provided in Table 8.3 below to answer the questions that follow.

Table 8.3

All Figures in Billions of Dollars		
Aggregate Output	Aggregate Consumption	Planned Investment
100	160	20
200	240	20
300	320	20
400	400	20
500	480	20

3) Refer to Table 8.3. At an aggregate output level of $200 billion, planned expenditure equals:
  A) $260 billion.   B) $160 billion.   C) $220 billion.   D) $410 billion.

4) Refer to Table 8.3. At an aggregate output level of $400 billion, aggregate saving:
   A) equals $0.
   B) equals $20 billion.
   C) equals -$20 billion.
   D) cannot be determined from this information.

5) Refer to Table 8.3. At an aggregate output level of $100 billion, the unplanned inventory
   change is:
   A) -$20 billion.   B) $120 billion.   C) -$30 billion.   D) -$80 billion.

6) Refer to Table 8.3. At an aggregate output level of $300 billion, the unplanned inventory
   change is:
   A) $10 billion.   B) $0.   C) -$40 billion.   D) -$10 billion.

7) Refer to Table 8.3. If aggregate output equals _____, there will be a $20 billion
   unplanned decrease in inventories.
   A) $400 billion   B) $100 billion   C) $300 billion   D) $200 billion

8) Refer to Table 8.3. The equilibrium level of aggregate output is:
   A) $400 billion.   B) $200 billion.   C) $300 billion.   D) $500 billion.

9) Refer to Table 8.3. Which of the following statements is *false*?
   A) The *MPC* for this economy is 0.8.
   B) At an output level of $200 billion, there is a $60 billion unplanned inventory
      decrease.
   C) At output levels greater than $400 billion, there is a positive unplanned inventory
      change.
   D) If aggregate output equals $500 billion, then aggregate saving equals $0.

10) Refer to Table 8.3. Planned saving equals planned investment at an aggregate output
    level of:
    A) $500 billion.   B) $300 billion.   C) $200 billion.   D) $400 billion.

11) Refer to Table 8.3. Planned investment equals actual investment at:
    A) $500 billion.   B) all income levels below $300 billion.
    C) all income levels above $300 billion.   D) all income levels.

12) If C = 200 + .5Y and I = 100, then the equilibrium level of income is:
    A) 300.   B) 400.   C) 175.   D) 600.

13) If S = -50 + 0.4Y and I = 70, then the equilibrium level of income is:
    A) 300.   B) 450.   C) 420.   D) 180.

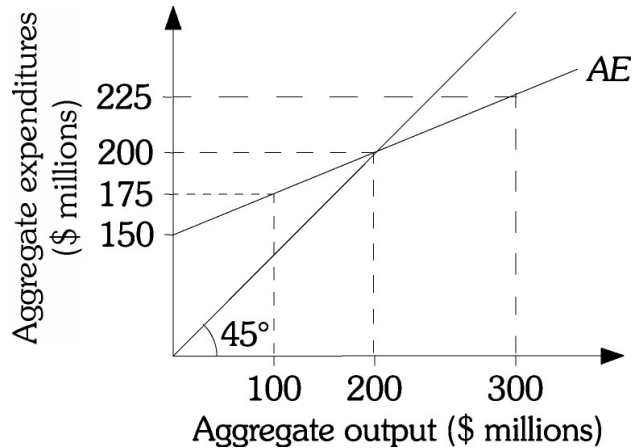*Refer to the information provided in Figure 8.8 below to answer the questions that follow.*

Figure 8.8

14) Refer to Figure 8.8. [150 + .25Y] is the:
   A) saving function.   B) MPC.
   C) aggregate expenditures function.   D) MPS.

15) Refer to Figure 8.8. $200 million is:
   A) the break even income.
   B) where saving equals aggregate expenditures.
   C) where saving equals consumption.
   D) the equilibrium income.

16) Refer to Figure 8.8. There is a $75 million increase in unplanned inventories at an
   aggregate output level of:
   A) $300 million.   B) $200 million.
   C) > $300 million.   D) $100 million.

17) Refer to Figure 8.8. As a result of a decrease in investment by $20 million, aggregate
   expenditures shifts _____, _____ equilibrium output and equilibrium expenditure.
   A) down; not changing   B) up; increasing
   C) down; increasing   D) down; decreasing

18) Refer to Figure 8.8. At an aggregate output level of $300 million:
   A) leakages are equal to injections.
   B) leakages are less than injections.
   C) leakages are greater than injections.
   D) leakages and injections are both negative.

19) Using the saving/investment approach, when C + I = C + S:
      A) saving = zero.   B) saving = income.
      C) the market is in equilibrium.   D) income = consumption.

20) Firms react to unplanned inventory accumulations by:
      A) reducing planned investment.   B) increasing output.
      C) reducing output.   D) increasing consumption.

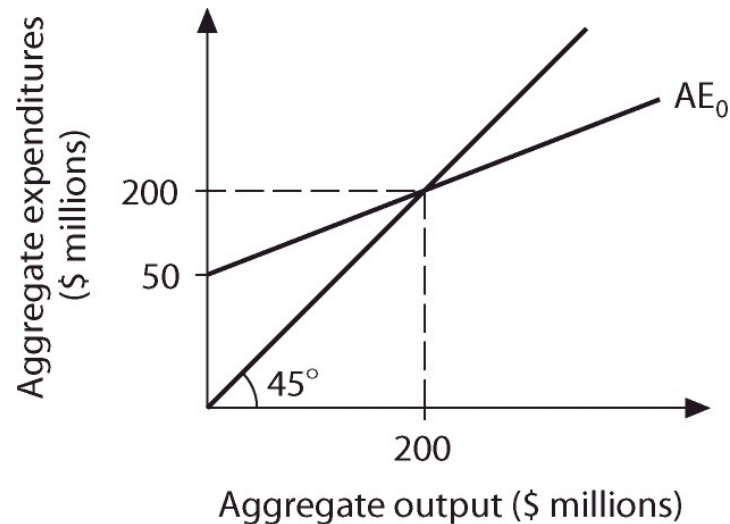*Refer to the information provided in Figure 8.10 below to answer the questions that follow.*

Figure 8.10

21) Refer to Figure 8.10. [50 + .75Y] represents the:
      A) aggregate expenditures function.   B) MPS.
      C) MPC.   D) autonomous consumption function.

22) Refer to Figure 8.10. On this graph, *4* represents the:
      A) MPC.   B) multiplier.
      C) break even income level.   D) MPS.

23) Refer to Figure 8.10. A _____ increase in investment changes equilibrium output to
    $240 million.
      A) $10 million   B) $5 million   C) $20 million   D) $50 million

24) Refer to Figure 8.10. A $10 million decrease in autonomous consumption:
      A) increases the MPC.
      B) increases the MPS.
      C) changes equilibrium output to $120 million.
      D) changes equilibrium expenditure to $160 million.