

- |     |                          |        |        |                |
|-----|--------------------------|--------|--------|----------------|
| 1.  | ANS: E                   | PTS: 1 | DIF: M | REF: Module 20 |
|     | SKL: Critical Thinking   |        |        |                |
| 2.  | ANS: A                   | PTS: 1 | DIF: M | REF: Module 20 |
|     | SKL: Concept-Based       |        |        |                |
| 3.  | ANS: C                   | PTS: 1 | DIF: D | REF: Module 20 |
|     | SKL: Critical Thinking   |        |        |                |
| 4.  | ANS: D                   | PTS: 1 | DIF: M | REF: Module 20 |
|     | SKL: Fact-Based          |        |        |                |
| 5.  | ANS: A                   | PTS: 1 | DIF: D | REF: Module 20 |
|     | SKL: Analytical Thinking |        |        |                |
| 6.  | ANS: A                   | PTS: 1 | DIF: M | REF: Module 20 |
|     | SKL: Critical Thinking   |        |        |                |
| 7.  | ANS: C                   | PTS: 1 | DIF: E | REF: Module 20 |
|     | SKL: Definitional        |        |        |                |
| 8.  | ANS: A                   | PTS: 1 | DIF: E | REF: Module 21 |
|     | SKL: Definitional        |        |        |                |
| 9.  | ANS: B                   | PTS: 1 | DIF: D | REF: Module 21 |
|     | SKL: Analytical Thinking |        |        |                |
| 10. | ANS: E                   | PTS: 1 | DIF: M | REF: Module 21 |
|     | SKL: Critical Thinking   |        |        |                |
| 11. | ANS: D                   | PTS: 1 | DIF: D | REF: Module 21 |
|     | SKL: Analytical Thinking |        |        |                |
| 12. | ANS: C                   | PTS: 1 | DIF: D | REF: Module 21 |
|     | SKL: Analytical Thinking |        |        |                |
| 13. | ANS: B                   | PTS: 1 | DIF: M | REF: Module 21 |
|     | SKL: Concept-Based       |        |        |                |
| 14. | ANS: B                   | PTS: 1 | DIF: M | REF: Module 21 |
|     | SKL: Concept-Based       |        |        |                |

$$GDP: C + G + I + (E_x - I_m)$$

↑

Consumption: spending by households on goods and services.

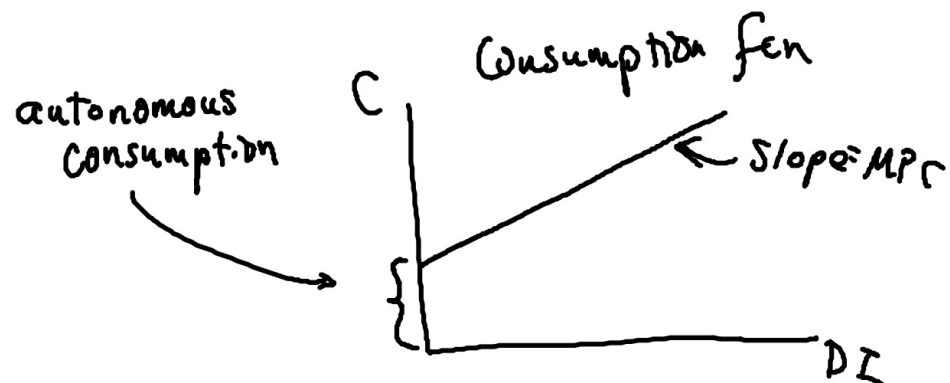
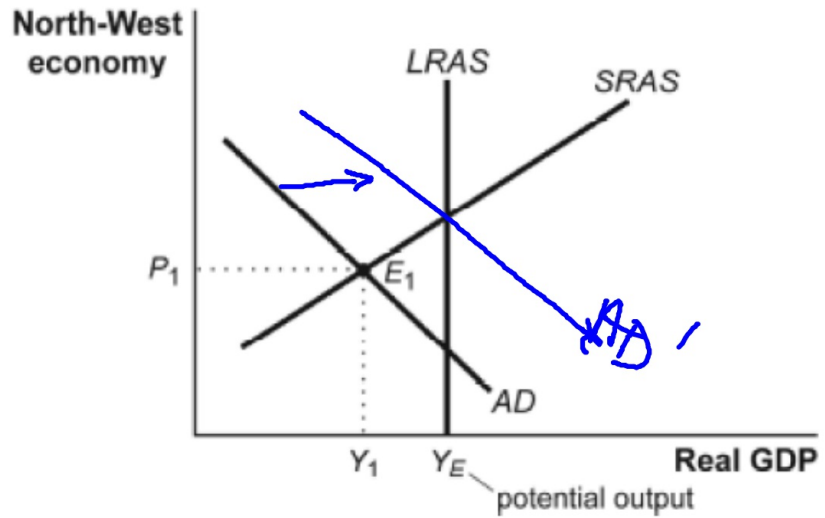


Figure 20-2: North-West Government



#9  $G \downarrow$  \$50 mm

multiplier:

$$50 \times \frac{1}{1-MPC}$$

$$50 \times \frac{1}{0.2}$$

$$\text{\$ } 250 \text{ mm}$$

#11 tax multiplier

$$\frac{MPC}{1-MPC}$$

$$\frac{.9}{.1} = 9$$

#12 households save 20% of  
income

$$MPS = 0.2$$

$$MPC = 0.8$$

"transfers" → use tax multiplier

↓ \$100 bn

$$\Delta rGDP: 100 \cdot \frac{0.8}{0.2} = 400 \text{ bn}$$

automatic stabilizers:

contraction:

tax receipts ↓

unemployment compensation ↑

other transfers ↑