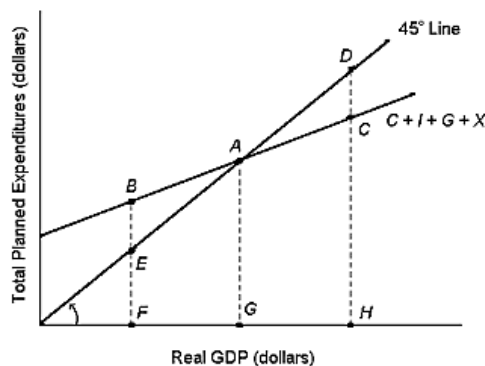


Practice Test for Test 3 ECN 590

- Which of the following people are structurally unemployed?
 - "I quit looking for work after unsuccessfully trying to find a job for two years."
 - "I lost my job because I was replaced by a robotic machine."
 - "I quit my job last week and will start a new one next week."
 - "I quit my work at the farm after the harvest was over."
 - "I was laid off at the Ford plant because car sales are down due to a recession."
- If equilibrium income is \$500 billion, $MPC = 0.8$, $MPI = 0.2$, and autonomous government spending increases by \$20 billion, the new equilibrium income will be
 - \$525 billion.
 - \$550 billion.
 - \$500 billion.
 - \$520 billion.
 - \$600 billion.
- Which of the following will *not* occur if total spending is greater than income?
 - Manufacturers increase production to meet demand for products.
 - Increased production increases income.
 - Inventories begin to rise.
 - More goods and services are being purchased than are being produced.
 - Goods produced in the past are being sold.



- Consider the economy described in the figure above. When real GDP is equal to F ,
 - businesses accumulate unwanted inventories.
 - households are dissaving an amount equal to BE .
 - aggregate expenditures exceed total income.
 - unplanned investment spending rises.
 - unemployment of resources will increase.
- When a small change in spending is magnified into a larger change in total output, we call this phenomenon
 - the magnifier effect.
 - the expansionary effect.
 - the MPS effect.
 - the multiplier effect.
 - the investment effect.