

Poll 5

1. The best definition of aggregate demand is
- a) consumption plus investment spending.
 - b) all goods sold to consumers plus inventories left over from previous years.
 - c) only the demand for consumption goods by consumers.
 - d) all final goods and services demanded from all sources.
2. Say an economy has consumption, investment, and government expenditures as listed below. There are no taxes this year.

$$C = 500 + .7Y$$
$$I = 100 + .1Y$$
$$G = 300$$

Which of the following statements is a correct characterization of equilibrium aggregate demand?

- a) GDP = \$3,000
 - b) GDP = \$6,000
 - c) **GDP = \$4,500**
 - d) GDP = \$9,000
3. If on the island of Pago-Pago, a rise in national income by 1,000 ogaps leads to an increase in consumption by 700 ogaps. What is the marginal propensity to consume (MPC).
- a) 0.90
 - b) 0.875
 - c) **0.70**
 - d) 0.666

GDP	C	I	G
\$420	\$165	\$85	\$200
480	210	85	200
540	255	85	200
600	300	85	200
660	345	85	200
720	390	85	200

4. Consider the following economy with no taxes. What is autonomous consumption? What is the MPC? Respectively?
- a) **a=\$165, b=0.75**
 - b) a=\$210, b=0.80
 - c) a=\$210, b=0.80
 - d) a=\$255, b=0.75

I am not counting this question as part of your poll grade. I have taught you in class that autonomous consumption is consumption when GDP=0, I noticed later the table did not start at GDP=0 but GDP=\$420. Had it been so then autonomous consumption (a) would be \$165. The MPC=(210-165)/(480-420).