These are some practice questions for CHAPTER 23. Each question should have a single answer. But be careful. There may be errors in the answer key!

67. Public saving is equal to
    a. net tax revenues minus government purchases.
    b. national income minus transfer payments.
    c. national income minus consumption.
    d. disposable income minus consumption.
    e. net tax revenues minus transfer payments.

68. Suppose G = 300 and the income-tax rate is 14 percent. When Y = 2000, public saving is _____, denoting a budget _____.
    a. 20; surplus
    b. 20; deficit
    c. -20; surplus
    d. -20; deficit
    e. 0; balance

69. An upward shift in the net export function can be caused by
    a. an increase in domestic national income.
    b. an increase in foreign national income.
    c. an increase in domestic prices.
    d. a decrease in the exchange rate.
    e. a decrease in foreign prices.

70. A rise in Canadian dollar price of foreign currencies causes Canada's net export curve to shift _____ and become _____.
    a. upward; flatter
    b. upward; steeper
    c. downward; flatter
    d. downward; steeper

71. Given a marginal propensity to consume out of disposable income of 0.9 and a tax rate of 10 percent of national income, the marginal response of consumption to changes in national income is _____.
    a. 0.09
    b. 0.72
    c. 0.81
    d. 1.00
    e. 0.90.

72. If (S+T+IM) exceeds (I+G+X), injections _____ leakages and national output will _____ toward its equilibrium level.
    a. exceed; rise
    b. exceed; fall
    c. are less than; rise
    d. are less than; fall

73. We have the following macro model: $C = 150 + 0.84Y$, $I = 400$, $G = 700$, $T = 0$, $X = 130$, $IM = 0.08Y$. Equilibrium national income is _____.
a. 1816
b. 5750
c. 7307
d. 7935
e. 17,250

74. We have the following macro model: $C = 150 + 0.84Y$, $I = 400$, $G = 700$, $T = 0$, $X = 130$, $IM = 0.08Y$. Consumption expenditure at equilibrium national income is _____.
a. 1675.44
b. 4060
c. 4830
d. 4980
e. 6815.4

75. We have the following macro model: $C = 150 + 0.84Y$, $I = 400$, $X = 130$, $IM = 0.08Y$, $T = 0$. Equilibrium national income is 5000 when G is equal to _____.
a. -40
b. 520
c. 580
d. 740
e. 812.275

76. We have the following macro model: $C = 120 + 0.86Y$, $I = 300$, $G = 520$, $T = 0$, $X = 180$, $IM = 0.12Y$. The vertical intercept of the AE curve is _____.
a. 120
b. 420
c. 600
d. 828.8
e. 1120

77. Consider the following macro model: $C = 60 + 0.43Y$, $I = 150$, $G = 260$, $T = 0$, $X = 90$, $IM = 0.06Y$. A national income of 1200 yields desired aggregate expenditure of _____.
a. 1088
b. 1016
c. 1004
d. 926
e. 560

78. Consider the following macro model: $C = 60 + 0.43Y$, $I = 150$, $G = 260$, $T = 0$, $X = 90$, $IM = 0.06Y$. The trade balance at equilibrium national income is ___________.
a. a deficit of 21.43
b. a deficit of 36.67
c. a surplus of 21.43
d. a surplus of 36.67
e. zero

79. An economy with positive net exports is _________, and so is trading off _________.
a. accumulating foreign assets; future claims on services to gain more services in the present
b. accumulating foreign assets; present claims on services to gain more services in the future
c. transferring assets to foreigners; future claims on services to gain more services in the present
d. transferring assets to foreigners; present claims on services to gain more services in the future
e. maintaining a constant level of foreign assets; nothing

80. An expression for national asset formation is
a. $I + G + NX$.
b. $I + (X - IM)$.
c. $X + IM - I$.
d. $X - (IM - I)$.
e. $I + X$.

81. Suppose: $S = -50 + 0.076Y$, $I = 170$, $G = 320$, $T = 0.24Y$, $X = 90$, and $IM = 0.06Y$. When national income is 2000, desired national saving _____ desired national asset formation, so equilibrium GDP must lie _____ 2000.
a. exceeds; above
b. exceeds; below
c. falls short of; above
d. falls short of; below

82. In a macro model where the marginal propensity to consume out of disposable income is 0.8, the marginal income-tax rate is 0.25, and the marginal propensity to import is 0.12, the multiplier will be _____.
a. 2.11
b. 2.083
c. 1.923
d. 1.471
e. 0.48

83. In a simple macro model with government, to raise equilibrium national income by $100 billion, *G* must be
a. raised by $100 billion times the multiplier.
b. raised by $100 billion divided by the multiplier.
c. lowered by $100 billion times the multiplier.
d. lowered by $100 billion divided by the multiplier.

84. Using Figure 23-2, the rotation from AE_1 to AE_0 is caused by
a. higher tax rates.
b. lower tax rates.
c. higher government spending.
d. lower government spending.
e. a balanced budget.

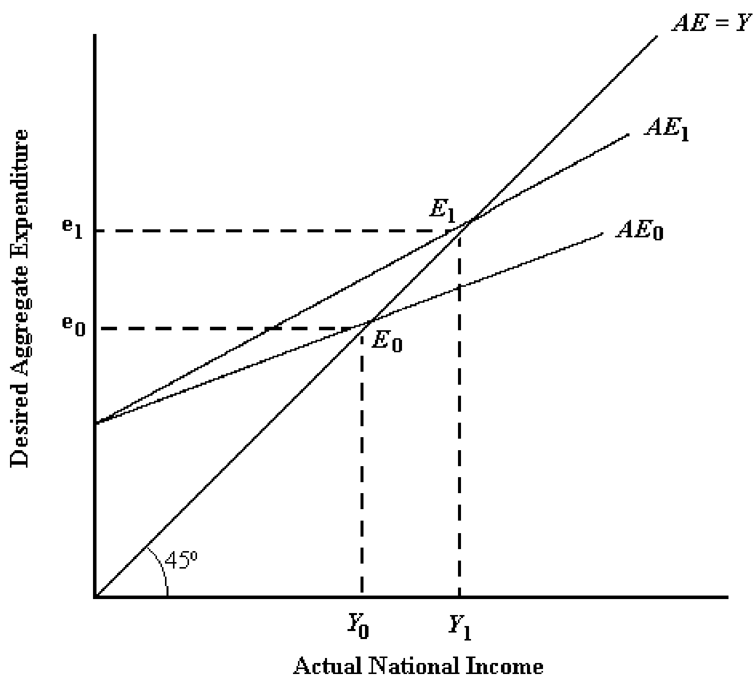

FIGURE 23-2

85. The main lesson from the balanced budget multiplier is that
   a. equal increases in taxes and government spending have no effect on equilibrium income because they cancel each other out.
   b. changes in government spending have, dollar for dollar, a greater effect on equilibrium income than do changes in taxes.
   c. equal increases in taxes and government spending reduce equilibrium income.
   d. equilibrium income depends only on the absolute size of the change in government spending or taxes, and not on the multiplier.
   e. positive changes to national income can only occur when starting from a balanced budget.

Answers

67. a
68. d
69. b
70. a
71. c
72. d
73. b
74. d
75. b
76. e
77. c
78. d
79. b
80. b
81. b
82. a
83. b
84. a
85. b