

## Keynes Questions

1. Give an example of a leading and a lagging indicator. Justify your choice.
2. Complete the task from the lecture. What is the equilibrium level of output when Autonomous consumption is £200m, the MPC is 0.8 and business investment is £50m? What is the equilibrium when autonomous government spending of £20m?
3. What is the effect of a £5m increase in government spending?
4. Assume that government taxes income at 20%, how does this affect the multiplier?
5. Read the Case Study: The accelerator principle on page 660 of the textbook. What effect does incorporation of this accelerator principle have on the multiplier?