

1. An increase in investment has the largest multiplier effect.

2. The main effect of an increase in G is an
increase in prices.

**The economy must
be operating in
segment:**

a. A - B

b. B – D

c. D – G

**d. None of the
above**

3. Labor costs are rising due to labor shortages.

4. A 50 billion increase in G resulted in a 500
increase in output

MPCC=0.9

**5. A 50 billion increase in G resulted in a 400
increase in output**

**6. After a 40 billion increase in G , inflation rose
and output remained the same**



G multiplier $\equiv 10$

T multiplier = -9

A

B



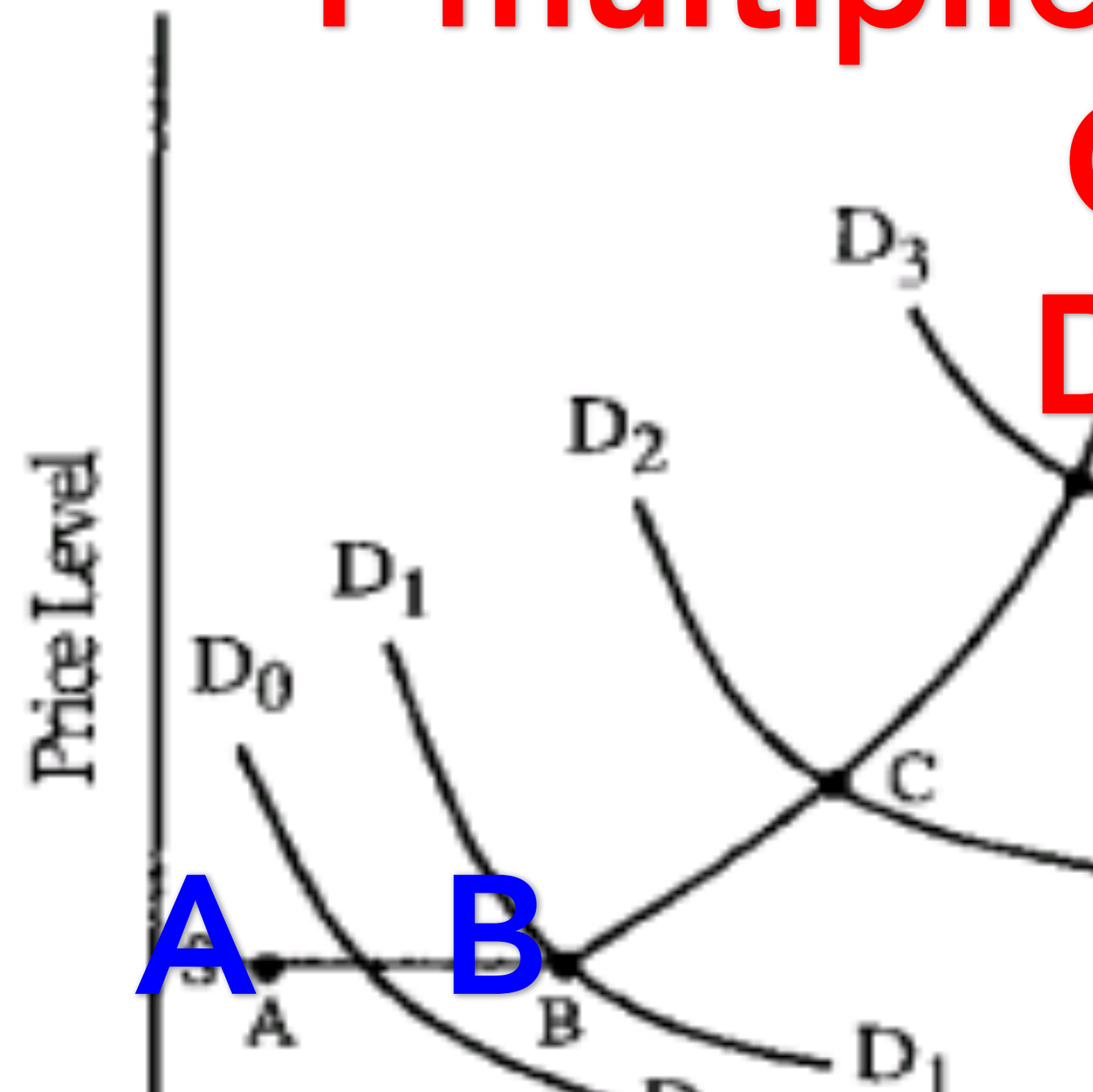
G

7. After a 10 billion decrease in T , output increased by 90b

8. After a 10 billion decrease in T , output

B

MPC = 0.9
 G multiplier = 10
 T multiplier = -9



The economy
 be operating in
 segment:

- a. A - B
- b. B - D
- c. D - G
- d. None of the above

6. An increase in government spending of 10 billion dollars
 7. An increase in government spending of 10 billion dollars
 8. After a 10 billion decrease in T, output

