Quizlet

NAME ____________________

## 12 Multiple choice questions

A+
100%

1. the greater than proportional increase in national income resulting from an increase in aggregate de
   a. equilibrium
   b. recession
   c. **CORRECT:** multiplier
   d. multiplier process

2. a model that describes how economic activity occurs between the different groups in an economy; saving, taxation and spending on imports represent leakages from the circular flow
   a. multiplier process
   b. equilibrium
   c. multiplier
   d. **CORRECT:** circular flow of income

3. the proportion of each extra dollar of income that is saved
   a. marginal propensity to consume (MPC)
   b. average propensity to save (APS)
   c. **CORRECT:** marginal propensity to save (MPS)
   d. average propensity to consume (APC)

4. the stage of the business cycle where there is decreasing economic activity, defined as two consecutive quarters (six months) of negative economic growth i.e. a fall in the GDP
   a. multiplier
   b. **CORRECT:** recession
   c. investment
   d. equilibrium

5. is achieved in an individual market when any consumer who is willing to pay the market price for a good or service is satisfied, and any producer who offers their good and services at the market price is able to sell their produce; it occurs when quantity demanded is equal to quantity supplied, i.e. when the market clears
   a. multiplier
   b. investment
   c. **CORRECT:** equilibrium
   d. recession

6. explains how an increase in aggregate demand will increase the overall level of national income by much more that the initial increase; this amount is known as the multiplier; the size of the multiplier is determined by the marginal propensity to save
   a. multiplier
   b. investment
   c. equilibrium
   d. **CORRECT:** multiplier process

7. the proportion of total income that is spent on consumption
   a. average propensity to save (APS)
   b. marginal propensity to consume (MPC)
   c. marginal propensity to save (MPS)
   d. **CORRECT:** average propensity to consume (APC)

8. the proportion of each extra dollar of income that is spent on consumer products
   a. average propensity to consume (APC)
   b. **CORRECT:** marginal propensity to consume (MPC)
   c. marginal propensity to save (MPS)
   d. average propensity to save (APS)

9. the total productivity capacity of an economy, i.e. the potential output when all factors of production output when all factors of production are fully utilised
   a. investment
   b. recession
   c. aggregate demand
   d. **CORRECT:** aggregate supply

10. the total income that is not spent, but is saved for future consumption

    a. average propensity to consume (APC)

    b. marginal propensity to consume (MPC)

    c. marginal propensity to save (MPS)

    d. **CORRECT:** average propensity to save (APS)

11. the total demand for goods and services within the economy; components of aggregate demand are: consumption (C ); investment (I); government spending (G); and net exports (X-M)

    a. investment

    b. recession

    c. aggregate supply

    d. **CORRECT:** aggregate demand

12. any current expenditure where the benefits will be obtained in the future; most typically, this injection will involve the purchase of capital goods or the build up of stock and inventory

    a. multiplier

    b. **CORRECT:** investment

    c. recession

    d. equilibrium