

Macroeconomic terms essay

[Economics](#), [Macroeconomics](#)



Monetary Policy The governmental policies that help to control the economy. This is done by adjusting the money supply either up or down. **Aggregate Demand (AD) Curves** downsizing curve that shows the relationship between the price of things and the demand for those things. The relationship between the MAC and the MSP indicates that the entire increase in household disposable income is distributed between consumption and saving. **Macroeconomic terms By Columns** rate of interest What won't cause the planned investment function to shift rightward?

A decrease in the interest rate An increase in the interest rate causes a decrease in the amount of real planned investment In the Keynesian model equilibrium national income equals planned consumption, investment, government, and net export If real GAP falls below total planned expenditures the economy will see production and employment increases When government spending and net exports are added into the Keynesian model the aggregate expenditures function shifts What is true concerning the foreign sector in the simple Keynesian model?

Net exports are autonomous The greater the value of the marginal propensity to consume the greater the value of the multiplier The greater the value of the marginal propensity to save the smaller the value of the multiplier Nominal GAP is dependent on the price level and output If the price level rises the multiplier effect on real GAP will be weaker than if the price level were constant What is true when considering an economy with an upward sloping SARA curve?

The multiplier has more impact when the economy is experiencing a recessionary gap compared to an inflationary gap. The multiplier is weakened in inflationary gaps because of rapid price level increases. What is true of the multiplier in the Keynesian model when there is an increase in autonomous expenditures?

Expenditures increase by the same proportion during each round of spending. In this situation in which there is an increase in autonomous expenditures, in each successive round that the multiplier is applied. The long-run aggregate supply curve shifts outward when there is economic growth. The long-run aggregate supply curve is determined by the full employment level of real output. The long-run aggregate supply curve is vertical because changes in the price level have no effect on real output.

Year to year rightward shifts in long-run aggregate supply leads to a long-run trend path for real GDP. Total expenditures for domestically produced goods and services consist of consumer spending, business spending, government spending, and net foreign spending. What is not a component of total expenditures? Merchandise inventories. What determines the total value of annual U. S. GDP? The spending and production decisions of consumers, firms, governments, and foreigners. The total of all planned real expenditures in the economy is aggregate demand.

The aggregate demand curve shows planned purchase rates of goods and services at various price levels. The aggregate demand curve slopes downward because of the real-balance, interest rate and open economy effects. According to the real-balance effect, an increase in the price level

Reduces an individual's expenditures due to a decrease in the real value of cash balances According to the interest rate effect, an increase in the price level Increases Planned real investment is determined by the equals planned consumption, investment, government, and net export expenditures