Level of Employment	Real GDP	AE0	AE1	AE2		C	I	X	M	G
40	370					345	20	20	20	15
45	390					355	20	20	20	15
50	410					365	20	20	20	15
55	430					375	20	20	20	15
60	450					385	20	20	20	15
65	470					395	20	20	20	15

Questions for Manipulating AE

1) What are the Aggregate Expenditures (AE_0) at each possible level of employment?
2) Graph AE (relative to GDP = AE [45°-line]), Label it AE_0
3) At what level of employment is the economy at Equilibrium GDP?
4) (a) What is the MPC? (b) What is the MPS? (c) What is the Multiplier?
5) Assume government increased its spending by 10 (from 15 to 25).
    (a) By how much will AE increase?
    (b) By how much will Equilibrium GDP increase?
6) Graph this new AE; label it AE_1 (draw an arrow to show this change in AE)
7) Assume that _**instead**_ government DECREASED its spending by 10 (from the original of 15 to 5).
    (a) By how much will AE decrease?
    (b) By how much will Equilibrium GDP decrease?
8) Graph this new AE; label it AE_2 (draw an arrow to show this change in AE)
9) Would the results of AE_1 and AE_2 have been the same had net exports increased by 10 and decreased by 10? Explain.
10) If the full level of employment is 45 million people:
    (a) at AE_0 there will be a (recessionary / inflationary) gap of _____.
    (b) at AE_1 there will be a (recessionary / inflationary) gap of _____.
    (c) at AE_2 there will be a (recessionary / inflationary) gap of _____.
11) If the full level of employment is 55 million people:
    (a) at AE_0 there will be a (recessionary / inflationary) gap of _____.
    (b) at AE_1 there will be a (recessionary / inflationary) gap of _____.
    (c) at AE_2 there will be a (recessionary / inflationary) gap of _____.