24. An autonomous decrease in spending leads to a horizontal shift of the aggregate demand curve by an amount equal to
a. the decrease in spending times the simple multiplier.  b. the decrease in spending.
c. the decrease in spending times the marginal propensity to save.  d. none of the others is correct.

25. The U.S. aggregate demand curve moves horizontally to the left
a. if government cuts spending to balance the budget.  b. if the consumption function shifts upward.
c. if foreigners buy more U.S. goods.  d. if businesses increase their investment spending.

<table>
<thead>
<tr>
<th>Table 10-1</th>
<th>Income</th>
<th>Consumption</th>
<th>Saving</th>
</tr>
</thead>
<tbody>
<tr>
<td>400</td>
<td>340</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>500</td>
<td>430</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>600</td>
<td>520</td>
<td>80</td>
<td></td>
</tr>
<tr>
<td>700</td>
<td>610</td>
<td>90</td>
<td></td>
</tr>
</tbody>
</table>

26. In Table 10-1, what is the MPC?
a. 1.00  b. .90  c. .80  d. .70  e. .60

27. In Table 10-1, what is the multiplier?
a. 8  b. 9  c. 10  d. 15  e. 20

28. In Table 10-1, what is the slope of the consumption function?
a. .60  b. .70  c. .80  d. .90  e. .95

29. In Figure 9-4, assume the original aggregate demand curve is D0. After an increase in investment spending of $250 billion, the curve shifts to D1. What is the value of the multiplier?
a. 6  b. 5  c. 4  d. 3  e. 2

30. In Figure 9-4, if the stock market crashed, one would expect
a. a shift in the aggregate demand curve from D0 to D1.  b. a shift in the aggregate demand curve from D1 to D0.
c. movement down and to the right along curve D0.  d. movement up and to the left along curve D1.

31. Calculate the multiplier in Figure 9-6 (on the next page).
a. 5  b. 4 ½  c. 3 1/3  d. 2 ½  e. 2
32. In Figure 9-6, the marginal propensity to consume is:
    a. 0.5   b. 0.6   c. 0.7   d. 0.8   e. to hard for me to figure out

33. In Figure 9-6, the marginal propensity to consume is:
    a. 0.5   b. 0.6   c. 0.7   d. 0.8   e. to hard for me to figure out

34. Which of the following best describes Alan Greenspan’s view concerning the effects of the rise in the stock market?
    a. It will cause aggregate demand to increase.
    b. It will cause aggregate demand to decrease.
    c. It will cause aggregate supply to increase.
    d. It will cause aggregate supply to decrease.

35. Which of the following best describes the relationship between stock prices and interest rates? All else equal,
    a. high interest rates depress stock prices
    b. low interest rates depress stock prices
    c. high interest rates increase stock prices
    d. stock prices and interest rates are unrelated

36. The Federal Reserve has been following a high interest rate policy in order to keep stock prices ____ and aggregate ____.
    a. low; demand high
    b. low; demand low
    c. high; supply low
    d. high; demand high

37. The reason for the Fed’s behavior is that it wants to:
    a. keep inflation low
    b. keep all middle age Economic Professors from retiring early
    c. keep aggregate supply low
    d. maintain the high growth of the stock market.

38. Which of the following best describes the chain of Greenspan’s reasoning?
    a. high stock prices
    b. high aggregate demand
    c. high aggregate supply
    d. high price level

39. If $P_t$ is the price of a stock on day $t$ and $d_{t+1}$ is the dividend paid out in day $t+1$, the price of a stock today should most closely equal:
    a. $P_{t+1}/(1 + r) + d_{t+1}/(1 + r)$
    b. $P_{t+1}/(1 + r) - d_{t+1}/(1 + r)$
    c. $P_t/(1 + r) + d_{t+1}/(1 + r)$
    d. $P_t/(1 + r) - d_{t+1}/(1 + r)$

40. According to the theory developed in class, the price of a stock should most closely equal the:
    a. PDV of the future dividend stream
    b. PDV of the price of government bonds
    c. PDV of the IPO
    d. PDV of the price of the bond.