Multiple Choice
Identify the letter of the choice that best completes the statement or answers the question.

1. The largest component of aggregate demand is
   a. investment spending.
   b. consumer spending.
   c. government spending.
   d. total imports.

2. Disposable income can be defined as GDP
   a. minus federal and state taxes.
   b. minus taxes plus transfer payments.
   c. minus indirect taxes.
   d. plus taxes plus transfer payments.

3. In the circular flow model, which of the following is an injection?
   a. investment spending
   b. government taxes
   c. spending on total exports
   d. spending on imports

4. Imports are a leakage in the sense that
   a. the international financial system is unstable.
   b. consumers send money to other countries in exchange for foreign output of goods and services.
   c. foreigners earn less than U.S. workers.
   d. a trade deficit increases aggregate demand.

5. The Marginal Propensity to Consume (MPC) is defined as the change in
   a. consumption (C) over the change in disposable income (DI).
   b. total income over the change in DI.
   c. DI over the change in C.
   d. total income over the change in net income.
6. In Figure 7-2, which of the following moves can be explained by a decrease in the price level?
   a. A to B
   b. A to C
   c. A to D
   d. A to E
Econ 201 Quiz 4 Fall 2003
Answer Section

MULTIPLE CHOICE

1. B
2. B
3. A or C
4. B
5. A
6. C