

ECO 2013 – PRINCIPLES OF MACROECONOMICS
CHAPTER LEARNING OBJECTIVES

CHAPTER 10
SELF-ADJUSTMENT OR INSTABILITY?

The Macro Economy Today, 11th edition by Bradley R. Schiller

As you read through Chapter 10 of the assigned textbook, use these objectives as a guide for note taking. Yes, I really expect you to read this chapter! Yes, I really expect you to take notes on what you are reading about within this chapter! That's how you LEARN new subject material! Provide an "answer" to each of the learning objectives listed below, and then cross-reference this list with the in-class lecture notes that you've taken on this chapter. Of course there will be some overlap in the coverage of topics! If it's important for you to know after reading this chapter, then it's on the list below. Remember, I use the lecture period to highlight super-important concepts and to relate them to current events. You HAVE TO read along in the textbook if you want to acquire all of the information you will need for testing purposes!

After a careful reading of Chapter 10, the student is expected to be able to:

- (1) Define the term *leakage*.
- (2) Explain how consumer saving, spending on imports, and taxes can act as leakages from the macro spending stream.
- (3) Explain the Multiplier Process as discussed on pages 197 – 202 in the text.
- (4) Define the term *multiplier*.
- (5) Know the formula for computing the value of the multiplier.
- (6) Be able to compute the total change in spending, given the necessary data (see the relevant formula on page 202).
- (7) Define the term *recessionary GDP gap*.
- (8) Define the term *inflationary GDP gap*.
- (9) Within the context of the AD-AS model, understand how the multiplier process can cause sequential increases (or decreases) of Aggregate Demand.

NOTE: We only need a few things from this chapter to complete our understanding of the Keynesian economic tools and how they can be used in the real world. Please focus only on the items listed above.