

ECO 2013 – PRINCIPLES OF MACROECONOMICS  
CHAPTER LEARNING OBJECTIVES

CHAPTER 9  
AGGREGATE DEMAND

*The Macro Economy Today*, 11<sup>th</sup> edition by Bradley R. Schiller

As you read through Chapter 9 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 9, the student is expected to be able to:**

- (1) List the FOUR components of Aggregate Demand (AD).
- (2) Define the term *consumption*.
- (3) Define the term *disposable income*.
- (4) Define the term *saving*.
- (5) Define the term *Marginal Propensity to Consume* (MPC).
- (6) Compute the MPC, given the necessary numerical data.
- (7) Define the term *Marginal Propensity to Save* (MPS).
- (8) Compute the MPS, given the necessary numerical data.
- (9) Explain what is meant by the term *autonomous consumption*.
- (10) Discuss the FOUR non-income determinants of consumption: expectations, wealth, credit and taxes.
- (11) Define the term *wealth effect*.
- (12) Define the term *dissaving*.
- (13) Discuss how changes in the non-income determinants of consumption can shift the AD curve.

- (14) Define the term *investment*.
- (15) Discuss the determinants of investment: expectations, interest rates, technology and innovation.
- (16) Discuss how changes in the determinants of investment can shift the AD curve.
- (17) Explain how it is possible for federal government spending to be counter-cyclical.
- (18) Explain why state and local government spending is pro-cyclical.
- (19) Discuss how changes in government spending can shift the AD curve.
- (20) Explain how changes in NET EXPORTS can shift the AD curve.
- (21) Explain the practical use of the Index of Leading Economic Indicators.

NOTE: There's a lot of stuff in this chapter that we don't need to focus on: the APC, the consumption function, the appendix with the Keynesian Cross Diagram, etc. Please focus only on the items listed above.