

1. Wallace Peterson was a professor at \_\_\_\_\_.
2. The accelerator is reflected by the \_\_\_\_\_.
3. The capitol of New Mexico is \_\_\_\_\_.

Answer four (4) of the following six (6) questions:

1. What is meant by the full employment budget? What makes it necessary to evaluate fiscal policy? How should it be used? Does a balanced budget matter?
2. What difference does it make whether we have fixed or flexible exchange rates? What does it mean to have fixed vs. flexible rates? How do exports vs. imports impact the economy?
3. What difference does it make how businesses finance any expansion? Be sure to compare and contrast the choices available. What may limit the rate of expansion?
4. What is meant by the balanced budget multiplier? How is this important in determining the equilibrium level of output?
5. How do exports vs. imports impact the economy? Do we need to worry about a balance of trade deficit? Why or why not?

6. If  $Y = C + I + G$   
 And  $C = 10 + (5/6)(Y - T)$   
 $I = 40 - 2R$   
 $G = 80$   
 $T = (2/5)Y$   
 $R = 10$

What is  $Y$ ,  $C$ ,  $T$  and the multiplier? Is there a budget surplus or deficit? What is  $Y$  if  $R = 15$  rather than 10?