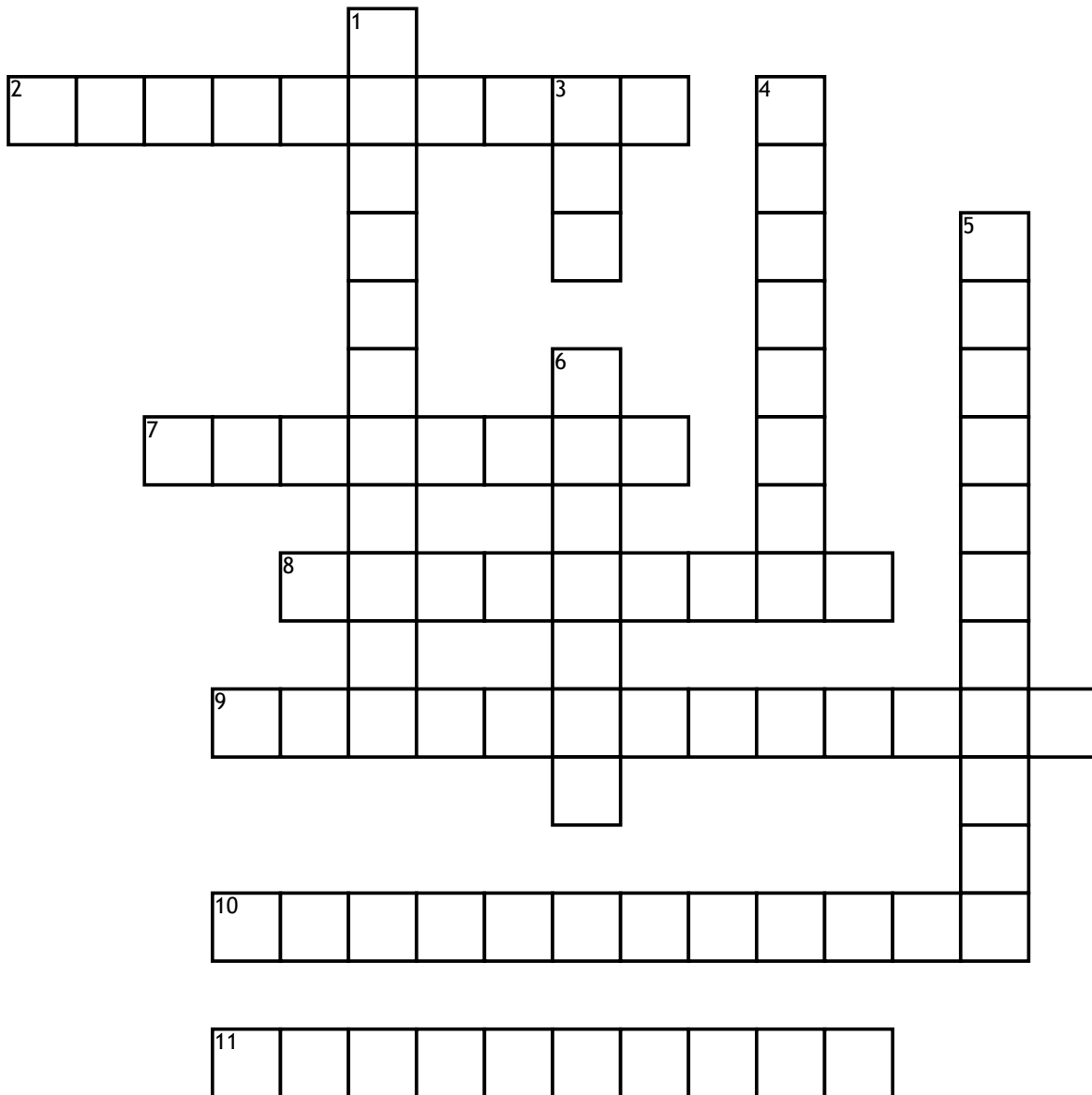


How Fiscal Policy Influences Aggregate Demand



Across

2. What is the name of the 'rule' expressed by this formula? $r = p + 0.5y + 0.5(p - 2) + 2$
7. If households predict a large tax cut to be permanent, they will increase their _____ by a significant amount.
8. When _____ is more expensive, demand for residential and business investment goods decline.
9. Higher income leads to higher money demand which ultimately leads to a rise in _____?
10. The government's choices regarding the overall level of government purchases and taxes.
11. The _____ Effect. When the government cuts taxes and stimulates consumer spending, leading to a rise in earnings and profits, which further stimulates consumer spending.

Down

1. The reduction in aggregate demand as a result of fiscal expansion raising the interest rate is known as The _____ Effect.
3. In 2013, in most developed economies, central bank interest rates were historically _____?
4. The level of government purchases is an important instrument of fiscal policy
5. What will a cut in personal income taxes increase for a household?
6. As _____ rise, people buy more goods and services and, subsequently, choose to maintain more of their wealth in liquid form.