Multiple-choice Questions:

1. Consider just the AD curve. Suppose consumption (C) broadly increases across the entire economy. This will cause:
   A. a movement along the AD curve
   B. the AD curve to shift outward/to the left
   C. the slope of the AD curve to get steeper
   D. a decrease in the price level of the economy

2. According to the wealth effect, all else equal, a lower price level leads to
   A. lower savings and a lower quantity of AD
   B. lower investment and a lower quantity of AD
   C. higher real-wealth values and a higher quantity of AD
   D. lower government spending and a higher quantity of AD

3. If real estate prices in the United States fall, this leads to
   A. an increase in real U.S. wealth and an increase in AD.
   B. a decline in real U.S. wealth and an increase in AD.
   C. a decline in real U.S. wealth and a decrease in AD.
   D. an increase in real U.S. wealth and a decrease in AD.

4. When consumers' expected income decreases, this leads to a
   A. rightward shift (increase) in AD.
   B. inward shift (decrease) in AD.
   C. rightward shift (increase) in SRAS.
   D. inward shift (decrease) in LRAS.

5. Why is the LRAS curve vertical?
   A. Because a change in prices leaves output unaffected in the long run.
   B. Because price expectations and wages tend to be fixed in the long run.
   C. Because prices and wages tend to be sticky in the long run.
   D. All of the above.