Keynes Predictions:
- Macro Failures will occur (Classical position:_______)
- Macro Failures will persist (Classical position:_______)

Leakages and Injections to Circular Flow:

IDEAL:
At Full employment GDP, enough income to buy all goods produced

PROBLEMS:
- 
- 

REALITY:
- LEAKAGES
  - 
  - 
- INJECTIONS
  - 
  - 

Circular Flow Recalled: (draw the model)

The Self-Adjustment/Instability Debate:
Classical: Injections will (ultimately) = Leakages
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Keynesians: Injections may never = Leakages
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Define the Multiplier:

Detail the equation used to compute the multiplier:

Complete the chart to show the flow money through the economy and the impact of the multiplier on a $100B decrease in investment:

1. $100 billion in unsold goods appear
2. 1. $100 billion in unsold goods appear
3. 1. $100 billion in unsold goods appear
4. 1. $100 billion in unsold goods appear
5. 1. $100 billion in unsold goods appear
6. 1. $100 billion in unsold goods appear
7. 1. $100 billion in unsold goods appear
8. 1. $100 billion in unsold goods appear
9. 1. $100 billion in unsold goods appear

Using the multiplier equation above, solve for the overall impact of the $100B decline in investment on the economy overall.

Given the implications of the multiplier, what impact would an increase in government spending of $100B have on the economy overall?