



## Economics Theme 3 - Keynesian Economics

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## Across

1. Income after taxes,
3. Tax cuts or increases in government spending designed to stimulate aggregate demand and move the economy out of recession.
4. Keynesian concept that asserts that a change in autonomous spending causes a more than proportionate change in real GDP.
5. The theory that people look at past experience and gradually adapt their beliefs and behavior as circumstances change.
8. Tax increases or cuts in government spending designed to decrease aggregate demand and reduce inflationary pressures.
12. Equilibrium at a level of output below potential GDP.
13. The theory that people form the most accurate possible expectations about the future that they can, using all information available to them.
14. A future rate of inflation that consumers and firms build into current decision making
15. The philosophy that, in the long run, the business cycle will fluctuate around the potential, or full-employment, level of output

## Down

2. What occurs at the macro level is different from the sum of what happens at the micro level; an example would be where upward-sloping market supply curves become a flat aggregate supply curve.
6. Costs firms face in changing prices.
7. Downward wage and price flexibility requires perfect information about the level of lower compensation acceptable to other laborers and market participants.
9. Equilibrium at a level of output above potential GDP.
10. The amount of goods and services actually being sold in a nation
11. The tradeoff between unemployment and inflation

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