

10.16: Discussion- The Income-Expenditure Model

Respond to the following prompts in a post with a minimum of 250 words, then comment on at least TWO other posts.

During the period of the “Great Moderation” (the mid-1980s through the mid-2000s), discussion of the Keynesian expenditure multiplier had largely gone out of fashion. After all, if business cycles were largely tamed, the effects of a significant demand shock seemed irrelevant. When the Great Recession hit at the end of 2007, the expenditure multiplier became a hot topic again for discussion among macroeconomists.

- Why does the size of the expenditure multiplier matter in the real world? Why does it matter to businesses, employees, consumers and policy makers?
- Based on what you know about the multiplier, do you think the government took the appropriate response to the Great Recession? Was the fiscal stimulus response to the recession enough, just right, or too much? What evidence can you provide for your conclusion? Find a news article (and include the link in your response) to support your opinion.

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