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Macroeconomics

Quiz #14

November 8, 2017

5 points

 Assume that the equations below represent a closed economy.

 C = 80 + 0.6(YD) YD = Y - T

 I = 1000 T = 400

 NX = (*X* – *Im)* = 0 G = 500

1. Solve for:

1. Equilibrium GDP (Y) 3350
2. Disposable Income (YD) 2950
3. Consumption Spending (C) 1850
4. Private Saving 1100
5. Public Saving - 100
6. The multiplier 2.5

2. Verify that, in equilibrium total saving equals investment.

 1000 = -100 + 1100

3. Suppose that the government wishes to increase equilibrium GDP by 100.

1. What change in government spending is required?

 40

1. If government spending cannot change, what change in taxes is required?

 - 66.7

4. In reality, taxes depend upon income as well as a “lump-sum” (exogenous) tax, what is equilibrium GDP if T = 400 + .1(Y)?

 2913