

DUE ON
Econ 331 – Intermediate Macroeconomics - Homework N4
4 points

NAME _____

- N1.** (1 point) Assume a simple model without any government or net exports. If an increase in autonomous investment of 40 leads to an increase in consumption of 160, then the marginal propensity to save is _____.
- N2.** (1 point) In a model with no government or foreign sector, if saving is defined as $S = -200 + (0.1)Y$ and investment is $I_0 = 200$, what is the equilibrium level of consumption?
- N3.** (1 point) If the savings function is $S = -400 + (0.25)YD$, the marginal income tax rate is $t = 0.2$, and the equilibrium level of income increases by 1,000, by how much will consumption change?
- N4.** (1 point) In an effort to stimulate the economy in 1976, President Ford asked Congress for a \$20 billion tax cut in combination with a \$20 billion cut in government purchases. Do you consider this a good policy proposal? Why or why not?