

Econ 231 – Macroeconomics - Homework N4
8 points total.

PRINT YOUR NAME _____

N1. (1 point) Based on the information given in the table below construct a consumption function and determine the MPC (the slope of the function).

Year	Consumer Spending, \$	Disposable Income, \$
1998	1,200	1,500
1999	1,440	1,800
2000	1,680	2,100
2001	1,920	2,400
2002	2,160	2,700

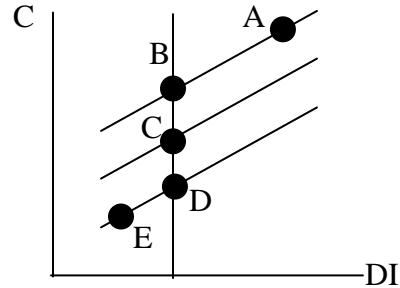
N2. (1 point) The nation's Disposable Income decreases by \$80 billion and, as a result, Consumer Spending decreases by \$40 billion. What is the MPC for the nation? **Show all your calculations.**

N3. (1 point) If Disposable Income increases by \$200 billion, and Consumption Spending increases by \$80 billion, then the slope of the Consumption Function is _____ . **Show all your calculations.**

N4. (1 point) How much will Consumer Spending increase after a permanent tax cut of \$400 billion if MPC is 0.75? **Show all your calculations.**

N5. (2 points) In the figure below, which move can be explained by an increase in Disposable Income? _____. Which move can be explained by an increase in the price level? _____. Which move can be explained by a decrease in the market interest rate? _____. Which move can be explained by an increase in taxes? _____. **Give only one point combination.**

(For example, you can word your answer as: B to A, or C to B, or B to C)



N6. (1 point) Show and explain what happens to the U.S. net exports, and to foreign net exports if the inflation rate in the U.S. is the lowest in the world.

N7. (1 point) Show and explain what happens to the U.S. net exports and the foreign net exports if the U.S. dollar appreciates.