Homework 3

Due Wednesday, March 21

1. Problem 1, chapter 11, page 311 K&W

2. Problem 3, chapter 11, page 312 K&W

3. Complete the table and answer the questions.

<table>
<thead>
<tr>
<th>Real GDP</th>
<th>Consumption</th>
<th>Planned Investment</th>
<th>Government purchases</th>
<th>Net Exports</th>
<th>Total Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,800</td>
<td>3,000</td>
<td>900</td>
<td>1,300</td>
<td>-100</td>
<td></td>
</tr>
<tr>
<td>5,200</td>
<td>3,300</td>
<td>900</td>
<td>1,300</td>
<td>-100</td>
<td></td>
</tr>
<tr>
<td>5,600</td>
<td>3,600</td>
<td>900</td>
<td>1,300</td>
<td>-100</td>
<td></td>
</tr>
<tr>
<td>6,000</td>
<td>3,900</td>
<td>900</td>
<td>1,300</td>
<td>-100</td>
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</tr>
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<td>1,300</td>
<td>-100</td>
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<td>900</td>
<td>1,300</td>
<td>-100</td>
<td></td>
</tr>
<tr>
<td>7,200</td>
<td>3,900</td>
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<td>1,300</td>
<td>-100</td>
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</tbody>
</table>

   a. What is the value of the MPC
   b. What is the value of equilibrium GDP?

4. Problem 9, chapter 11, page 313 K&W

5. Problem 13, chapter 11, page 313 K&W

6. Distinguish between a movement along the aggregate supply curve and a shift of the entire aggregate supply curve. What factors cause each to occur?

7. Problem 1, chapter 12, page 347 K&W

8. Problem 4, chapter 12, page 347 K&W

9. Problem 5 chapter 12, page 348 K&W

10. Problem 8, chapter 12, page 348 K&W

11. Problem 11, chapter 12, page 348 K&W

12. Problem 13, chapter 12, page 349 K&W

13. Problem 15, chapter 12, page 340 K&W

TURN THE PAGE OVER……...
14. Assume that an economy is characterized by the following equations

\[ C = 1,500 + 0.5 \ Yd \]

\[ Yd = 0.2Y \] where \( Yd \) is disposable income = \( Y - T \)

\[ T = 300 \]

\[ I = 1,250 \]

\[ G = 1,250 \]

\[ NX = -500 \]

*Recall the equilibrium condition is given by \( Y = C + I + G + NX \)*

Find the equilibrium GDP, and the equilibrium Consumption