Homework 10 – the last one

Eco 10350, Prin of Macro, Kevin R Foster, Colin Powell School at CCNY

Due 8am Friday May 10
(I think of the deadline as being midnight somewhere on the planet after class, operationalized as 8am EST in NYC on day after)

Each student should submit a separate assignment, even if it is an identical computer file to the rest of your study group. When submitting assignments, please include your name and the assignment number as part of the filename. Please write the names of your study group members at the beginning of your homework.

1.   What are the names of the people currently in your study group?
2.   In the OpenStax textbook, please answer 18.26, 19.30, 19.31, 21.55.
3.   Assume an economy can be modeled with these equations:
$C = 25 + 0.8(Y - T)$
$T = 5 + 0.2Y$
$I = 300$ (for some interest rate set by Central Bank)
$G = 400 - 0.05Y$
$X = 500; M = 600$
   a.   What is equilibrium output, assuming the Central Bank keeps the interest rate constant?
   b.   What is the government budget deficit/surplus at that level of income?
   c.   What is the trade deficit/surplus?
   d.   What would you expect to happen to the exchange rate, given the information from the previous questions? What might then change?
   e.   Suppose the government wanted to balance its budget, and raised taxes by the exact amount of the current deficit – would that balance the budget? What would be the new deficit/surplus actually? What change(s) to the tax function would actually balance the budget? What change(s) to the spending function?