

Chapter 13

Homework Assignment

1a Fill in the missing information in the table below.

<u>Disposable Income</u>	<u>Consumption</u>	<u>MPC</u>
10,000	10,000	
12,000	11,500	a. ____
14,000	13,000	b. ____
16,000	c. ____	0.8
d. ____	16,200	0.8

2. Use the information given below for the fictitious country Alpha to find each of the following:

- autonomous aggregate expenditures
- the multiplier
- short-run equilibrium output
- the output gap

$$C = 500 + .8 (Y - T)$$

$$I^P = 200$$

$$G = 300$$

$$NX = 50$$

$$T = 200$$

$$Y^* = \$5000$$

3. By how much would aggregate expenditures have to change to eliminate the output gap for Alpha in the problem above?

Key

- 1a. .75
a. .75
b. \$14,600
c. \$18,000

- 2a. 1050
a. $1/.2 = 5$

$$b. 1050 + .8(Y-200) = Y$$

$$890 + .8Y = Y$$

$$890 = .2Y$$

$$4450 = Y$$

$$c. \text{ output gap} = 5000 - 4450 = 550$$

1. Aggregate expenditures would have to change by 110.

$$X (\text{multiplier}) = 550$$

$$X (5) = 550$$

$$X = 110$$