FIN204-Week10-Ch11-12310903刘华杰

4.Consider the impact of an increase in thriftiness in the Keynesian cross model. Suppose the consumption function is

$$C = \bar{C} + c(Y - T)$$

where C is a parameter called autonomous consumption that represents exogenous influences on consumption and c is the marginal propensity to consume.

a. What happens to equilibrium income when the society becomes more thrifty, as represented by a decline in $\bar{C}$?

$$Y = PE = C\left(Y - \overline{T}\right) + \overline{I} + \overline{G}$$
$$\implies Y = \bar{C} + c(Y - T) + \overline{I} + \overline{G}$$
$$\implies Y = \frac{\bar{C} - cT + \bar{I} + \bar{G}}{1 - c}$$
$$\implies \Delta Y = \frac{1}{1 - c}\Delta \bar{C}$$

b. What happens to equilibrium saving?
由于投资等于储蓄且投资为外生给定，所以均衡储蓄不变。

c. Why do you suppose this result is called the paradox of thrift?
节俭悖论：大家都不消费了导致总产出下降。

d. Does this paradox arise in the classical model of Chapter 3? Why or why not?
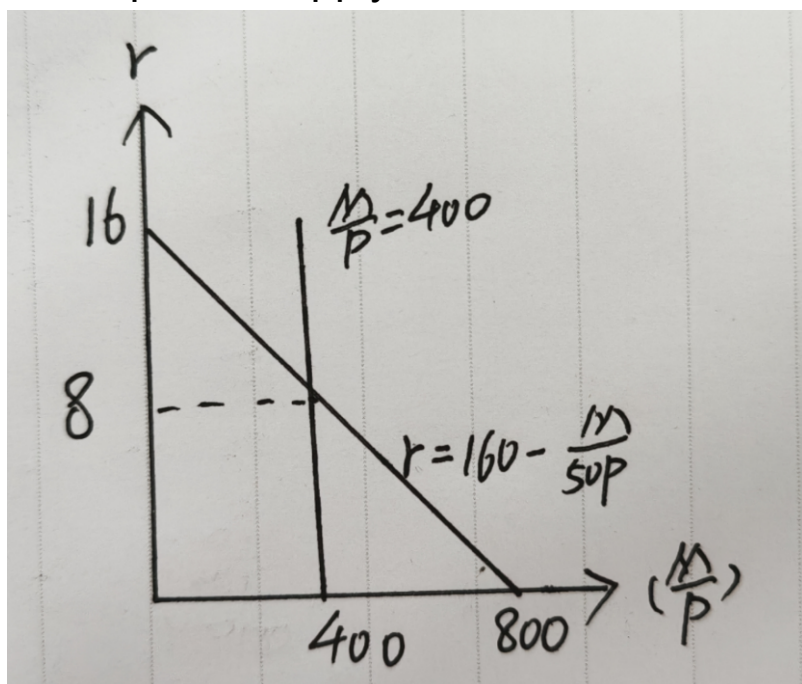在第三章模型中，假设了总产出等于总购买（包括居民购买和政府

购买），也就是产出水平和消费水平一一对应，也就没有节俭悖论。

5.Suppose that the money demand function is

$$(M/P)^d = 800 - 50r,$$

where r is the interest rate in percent.The money supply M is 2,000 and the price level P is fixed at 5.

a. Graph the supply and demand for real money balances.

b. What is the equilibrium interest rate?

$$\frac{M}{P} = 800 - 50r$$
$$\frac{2000}{5} = 800 - 50r$$
$$r = 8$$

均衡利率为8%

c.What happens to the equilibrium interest rate if the supply of money is reduced from 2,000 to 1,500?

$$r = 160 - \frac{M}{50P}$$

$$\Delta r = -\frac{1}{50 \times 5} \Delta M = +2$$

均衡利率增加2%，新的均衡利率为10%

货币供给减少，均衡利率上升。

d. If the central bank wants the interest rate to be 4 percent, what money supply should it set?

$$M = P(800 - 50r) = 4000 - 250r = 3000$$

新的货币供给应该为M=3000

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