



## **Making America Great Again. (Adapted from Midterm 1, Spring 2016)**

Donald J. Trump's Presidential platform outlines a substantial tax decrease by reducing tax rates for a large majority of Americans. This tax reduction will be off-set by a substantial reduction in government spending. That is Trump's tax plan is deficit neutral.

1. Working with our model developed in Chapter 3, carefully explain the impact of Trump's tax plan on investment and the real interest rate---if at all. If not, please carefully explain why not.
2. Working with our model developed in Chapter 3 (holding factors of production fixed), carefully explain the impact of Trump's tax plan on real GDP. If not, please carefully explain why not.
3. Given your answers in Part one and Part two, carefully explain how Trump's tax plan is changing each expenditure component of GDP.
4. Speculate how Trump's plan might affect real GDP in the future (i.e. factors of production can change) within the boundaries of our class material. Be as clear and specific as possible.