

Revisiting Trump's Economic Plan

Recall from Midterm 1: 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.

Let's revisit this plan in the context of the small-open economy model discussed in Chapter 6-1 and 6-2 of Mankiw.

1. The United States is currently running a trade deficit, that is net exports are negative. Carefully illustrate savings, investment, net exports, and the world real interest rate that corresponds with the situation in the United states.

