

In-class Bonus 1

Consider an economy that has the following setup:

$$\begin{array}{lll} c_0 = 100 & c_1 = 0.6 & \bar{I} = 150 \\ G = 140 & NX = 10 & T = 100 \end{array}$$

- a) What is the net capital inflow (NCI)?
- b) What is equilibrium output?
- c) What is disposable income
- d) What is consumption
- e) If c_0 decreases to 50, what is the change in equilibrium output?
- f) What is demand when $c_0 = 100$? Does it equal output?