

Principles of Economics (Double Degree, Fall 2022)

Homework #5

(Chapter 25, 26 due on Nov. 22th, 2022)

For Chapter 25

1. Textbook, Chapter 25, #3
2. Textbook, Chapter 25, #6
3. True or False? Other things the same, a country with low income per person can have a higher growth rate than a country with a high income per person even if the countries have identical saving rates. Try to use the production function to explain your answers.

For Chapter 26

4. Textbook, Chapter 26, #3
5. Textbook, Chapter 26, #5
6. Textbook, Chapter 26, #7
7. 政府政策与投资 Government policy and investment
一国政府考虑通过公共政策以鼓励投资。有两种可以选择的方法：一是对私人储蓄减税；二是通过减少政府支出来减少政府预算赤字。
A country considers encouraging its investments through public policies. There are two alternatives: to reduce tax on private saving, or to reduce the government budget deficit by reducing government expenditures.
(1) 画出该国的可贷资金供求曲线，标出均衡的利率和投资数量。
Draw a supply-demand diagram of the country's market for loanable funds. Label the equilibrium interest rate and investment.
(2) 分别画图表示对私人储蓄减税和减少预算赤字的影响。各自的利率如何变动？各自的投资数量如何变动？两种政策都能鼓励投资吗？
Draw separate graphs to show the effects on this market of reducing tax on private saving and of reducing the government budget deficit. In each case, how does the interest rate change? How does the investment change? Can each policy encourage investment?
(3) 虽然图形上不易看出，但你能说出两种政策是否都鼓励了私人储蓄吗？解释你的理由。
Although it's not easy to see in the graphs, can you tell how the private saving changes in each case? Explain.
(4) 如果投资对利率的弹性比预想的更大，上述两种政策各自对于投资的影响是更大还是更小？用图形明确表示你的答案。

If the interest rate elasticity of investment is larger than expected, will the effect of each policy on investment be larger or smaller? Show your answers clearly by graphs.

- (5) 如果私人储蓄对利率的弹性比预想的更大, 上述两种政策各自对于投资的影响是更大还是更小? 画出图形以明确表示你的答案。

If the interest rate elasticity of private saving is larger than expected, will the effect of each policy on investment be larger or smaller? Show your answers clearly by graphs.

- (6) 政府同时实施这两项政策是困难的。为什么?

Why is it difficult to implement both of these policies at the same time?

- (7) 给定这一困难, 当投资对利率弹性较大时, 你倾向于推荐哪一项政策, 还是不能判断? 当私人储蓄利率弹性较大时, 你倾向于推荐哪一项政策, 还是不能判断? 说出你的理由。

Given this difficulty, when the interest rate elasticity of investment becomes larger, which policy do you tend to rely on? Or cannot judge? When the interest rate elasticity of private saving becomes larger, which policy do you tend to rely on? Or cannot judge? Explain your answers.