Problem #1

EMP	RDO	T	DI	C	S	I	G	X	M	AE
40	500	25		480		10	25	30	30	
45	525	25		500		10	25	30	30	
50	550	25		520		10	25	30	30	
55	575	25		540		10	25	30	30	
60	600	25		560		10	25	30	30	
65	625	25		580		10	25	30	30	
70	650	25		600		10	25	30	30	
75	675	25		620		10	25	30	30	

Calculate the level of Disposable Income (DI), Savings (S) and Aggregate Expenditures (A.E.) at each level of RDO.

1. What is the equilibrium level of output (RDO) and employment (EMP)?

2. What are the APC and APS at the equilibrium level of output?

3. What are the MPC and MPS in this economy?

4. What is the multiplier?

5. What will be the new equilibrium level of output (RDO) and employment if Investment decreases by 10 at every level of RDO?

6. From this new equilibrium level of Employment and Output: What will be the new equilibrium level of output (RDO) and employment if imports(M) decrease by 20 at every level of RDO?

7. From this new equilibrium level of Employment and Output: What will be the new equilibrium level of output (RDO) and employment if Taxes and Government purchases increase by 25 at every level of RDO?

8. What is the level of savings at this new equilibrium?

9. Calculate the APC and APS at this new equilibrium level of Employment and Output.

Problem #2

EMP	RDO	T	DI	C	S	I	G	X	M	AE
50	600	0		625		25	0	75	75	
55	650	0		650		25	0	75	75	
60	700	0		675		25	0	75	75	
65	750	0		700		25	0	75	75	
70	800	0		725		25	0	75	75	
75	850	0		750		25	0	75	75	
80	900	0		775		25	0	75	75	
85	950	0		800		25	0	75	75	

Calculate the level of Disposable Income (DI) the level of Savings (S) and Aggregate Expenditures (AE) at each level of RDO.

1. What is the equilibrium level of output and employment?

2. What are the APC and APS at the equilibrium level of output?

3. What are the MPC and MPS in this economy?

4. What is the multiplier?

5. What will be the new equilibrium level of output (RDO) and employment if Investment increases by 25 at every level of RDO?

6. From this new equilibrium level of Employment and Output: What will be the new equilibrium level of output (RDO) and employment if exports(X) increase by 50 at every level of RDO?

7. From this new equilibrium level of Employment and Output: What will be the new equilibrium level of output (RDO) and employment if Government Purchases (G) and Taxes (T) increases by 100 at every level of RDO?

8. What is the level of savings at this new equilibrium?

9. Calculate the APC and APS at this new equilibrium level of Employment and Output?