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Summer 2020 – Individual Assignment 4 – (15%)

ECON252 – Macroeconomics-

Name	ID



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Problem 1: (40 points)

GDP/ Income	Consumption	Investment	Government expenditure	Exports	Imports	Aggregate Expenditure	Inventories	GDP will
8400	6800	1200	1000	400	600			
9200	7400	1200	1000	400	600			
10000	8000	1200	1000	400	600			
10800	8600	1200	1000	400	600			
11600	9200	1200	1000	400	600			

- Fill in the blanks. Find the equilibrium GDP.
- Calculate the MPC and the multiplier.
- If the government wants to set a new equilibrium at 12000 by how much it needs to increase the government expenditure?



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Problem 2: (30 points)

Explain whether each of the following events will increase, decrease, or have no effect on long-run aggregate supply.

- a) Country invites more expats.
- b) Government raises the minimum wage.
- c) Intel invents a new and more powerful computer chip.
- d) A new virus results in closedown of many companies



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Problem 3: (30 points)

Consider the data of the following table for the years 2015 and 2016

Year	Real GDP	Potential GDP	Unemployment rate
2015	4.26 trillion \$	4.19 trillion \$	3.5 %
2016	4.27 trillion \$	4.34 trillion \$	4.9%

- a) In 2015, Real GDP is higher than potential GDP. Explain how is this possible
- b) Real GDP in 2016 is higher than 2015, the unemployment rate increased substantially from 2015 to 2016. Why did this increase in unemployment occur?
- c) Was the inflation rate in 2016 to have been higher or lower than the inflation rate in 2015? Does your answer depend on whether the recession that started in December 2015 was caused by a supply shock or by a change in a component of aggregate demand?