

Homework II
(Submission date: April 16 2024)
(Late submissions will not be evaluated)

1. Textbook (Colander 11th edition) Chapter 26 Questions and Exercises page 606 question 8
2. Textbook (Colander 11th edition) Chapter 25 Questions and Exercises page 606 question 12
3. Textbook (Colander 11th edition) Chapter 25 Questions and Exercises page 606 question 16
4. What effect would each of the following have on aggregate demand or aggregate supply, other things equal? In each case, use a diagram to show the expected effects on equilibrium price level and the level of real output, assuming that the price level is flexible both upward and downward.
 - a. A widespread fear of consumers of an impending economic depression.
 - b. A new national tax on producer based on value added between the cost of inputs and the revenue received from their output.
 - c. A reduction in interest rates at each price level.
 - d. A major increase in spending for health care by the government.
 - e. The general expectation of coming rapid inflation.
 - f. The complete disintegration of OPEC, causing oil prices to fall by one-half.
 - g. A 10 percent across the board reduction in personal income taxes.
 - h. A sizeable increase in labor productivity (with no change in nominal wages).
 - i. A 12 percent increase in nominal wages (with no changes in labor productivity).
 - j. An increase in exports that exceeds an increase in imports.