Wilf Csaplar Jr.   Economics 162   Homework #5   **Due Friday 10/28**

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (10 points each) Answer each part is separate paragraphs. For each of the following, explain what the term means and explain how that helps a country to grow faster.
A) Limiting protectionism
B) Creative destruction

2) (15 points) Suppose a person has a consumption function given by $C = 300 + .7(Y-T)$. If their after tax income is $10,000.00, then how much are their MPC, MPS, APC, and APS? Show all work. If there is no work, briefly explain how you got the answer.

3) (20 points) Draw the Keynesian Cross Diagram, a.k.a. 45° Diagram. Illustrate the effects of a decrease in the interest rate. Explain why the curve(s) moved as drawn.

4) (25 points) Draw the Keynesian Cross Diagram, a.k.a. 45° Diagram. Illustrate the effects of an increase in government spending. Explain why the curve(s) moved as drawn. Given your diagram, what is the size of the government spending multiplier? State how you reached your conclusion.

5) (20 points) Draw the Keynesian Cross Diagram, a.k.a. 45° Diagram. Illustrate the effects of a decrease in the marginal propensity to consume. Explain why the curve(s) moved as drawn.