

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.

If you are leaving for break early, slide the homework under my office door before you leave.

1) (20 points) Draw the Keynesian Cross, a.k.a. 45° diagram. Illustrate the effects of foreigners boycotting American products. Explain why the curve(s) moved as drawn. What happens to GDP?

<https://www.nbcnews.com/news/us-news/canadians-are-boycotting-us-products-protest-looming-tariffs-rcna190475>

2) (20 points) Draw the Keynesian Cross, a.k.a. 45° diagram. Illustrate the effects of an increase in interest rates. Explain why the curve(s) moved as drawn. What happens to GDP?

3) (20 points) Draw the Keynesian Cross, a.k.a. 45° diagram. Illustrate the effects of Americans deciding to save more because they are worried about the future of the economy. Explain why the curve(s) moved as drawn. What happens to GDP?

<https://www.conference-board.org/topics/consumer-confidence>

4) (25 points) Draw the Keynesian Cross, a.k.a. 45° diagram. Illustrate the effects of DOGE's actions on the economy as described in the article below. (Assume the numbers given by DOGE are correct, despite what CBS is saying.) Explain why the curve(s) moved as drawn. Given your diagram, what is your estimate of the government spending multiplier? Use the more accurate method, i.e. the definition. Explain how you reached the conclusion, including any calculations you did. <https://www.cbsnews.com/news/doge-wall-of-receipts-more-discrepancies/>

5) (15 points) When we estimated the government spending multiplier in class using algebra, what did we assume about income tax revenue? If we relax that assumption, what will happen to the size of the multiplier? Explain your logic.