

Homework 10

Due on 7/11/2023, by 23:00

This assignment is optional but STRONGLY RECOMMENDED. If you do not submit the answers till the deadline, the score of your final exam will substitute for the score for this assignment. Submit only the correct letter for each task on eLearn under 'Quizzes' within 'COR2100-Economics and Society G7-8-26-49'. Note that the actual text of questions and answers is not supposed to appear on the eLearn quiz. You have unlimited attempts. The system is programmed to credit your last attempt. Be informed that if you submit an attempt and afterwards you re-open the quiz, you must submit your answers AGAIN. Otherwise, the system will grade the unfinished attempt with 0 (because it is the last one) and there is NOTHING I can do to fix this after the fact. Late homework or homework submitted outside eLearn cannot be accepted as this would violate SMU official policy for fairness and transparency in grading. This assignment is protected by Grade Insurance™: If the assignment's average turns out to be below 75, an equal amount of bonus points will be given to every work, for the average to become 75. Direct any homework questions to your TA.

Scenario 10.1: Consider an economy where net exports are zero. Household's consumption is given by $C = 250 + 0.6(Y - T)$, private investment (I) is 120, government spending, (G) is 230 and the tax coefficient (t) is 15%.

1. According to scenario 10.1, how much is the equilibrium output (Y)?
 - A. Around 300 units.
 - B. Around 600 units.
 - C. Around 900 units.
 - D. Around 1,200 units.
 - E. Around 1,500 units.
 - F. Around 1,800 units.

2. According to scenario 10.1, how much is the equilibrium consumption (C)?
 - A. Around 150 units.
 - B. Around 300 units.
 - C. Around 450 units.
 - D. Around 600 units.
 - E. Around 750 units.
 - F. Around 900 units.

3. According to scenario 10.1, how much is the government budget deficit ($G - T$) at equilibrium?
 - A. Around -75 units.
 - B. Around -50 units.
 - C. Around -25 units.
 - D. Around zero.
 - E. Around 25 units.
 - F. Around 50 units.
 - G. Around 75 units.

4. According to scenario 10.1, if the government increases G by 100, by how much will the equilibrium level of output (Y) increase?
- A. Around 50 units.
 - B. Around 100 units.
 - C. Around 150 units.
 - D. Around 200 units.
 - E. Around 250 units.
 - F. Around 300 units.
5. According to scenario 10.1, if the government increases G by 100, by how much will the equilibrium level of consumption (C) increase?
- A. By around 25 units.
 - B. By around 50 units.
 - C. By around 75 units.
 - D. By around 100 units.
 - E. By around 125 units.
 - F. By around 150 units.
6. According to scenario 10.1, if the government increases G by 100, by how much will government budget deficit ($G - T$) increase at equilibrium?
- A. By around 25 units.
 - B. By around 50 units.
 - C. By around 75 units.
 - D. By around 100 units.
 - E. By around 125 units.
 - F. By around 150 units.
7. According to scenario 10.1, if G is not increased but the government decreases the taxation coefficient to 5%, by how much will the equilibrium level of output (Y) be increased?
- A. By around 60 units.
 - B. By around 90 units.
 - C. By around 120 units.
 - D. By around 150 units.
 - E. By around 170 units.
 - F. By around 200 units.
8. According to scenario 10.1, if G is not increased but the government decreases the taxation coefficient to 5%, by how much will the equilibrium level of consumption (C) be increased?
- A. By around 30 units.
 - B. By around 60 units.
 - C. By around 90 units.
 - D. By around 120 units.
 - E. By around 150 units.
 - F. By around 180 units.

9. According to scenario 10.1, if G is not increased but the government decreases the taxation coefficient to 5%, by how much will the government budget deficit ($G - T$) increase at equilibrium?
- A. By around zero.
 - B. By around 40 units.
 - C. By around 80 units.
 - D. By around 120 units.
 - E. By around 160 units.
 - F. By around 200 units.
10. According to scenario 10.1, if none of G or t change but the marginal propensity to consume becomes 0.4, how much will the equilibrium level of output (Y) be?
- A. Around 300 units.
 - B. Around 600 units.
 - C. Around 900 units.
 - D. Around 1,200 units.
 - E. Around 1,500 units.
 - F. Around 1,800 units.
11. According to scenario 10.1, if none of G or t change but the marginal propensity to consume becomes 0.4, how much will the equilibrium level of consumption (C) be?
- A. Around 150 units.
 - B. Around 300 units.
 - C. Around 450 units.
 - D. Around 600 units.
 - E. Around 750 units.
 - F. Around 900 units.
12. According to scenario 10.1, if none of G or t change but the marginal propensity to consume becomes 0.4, how much will the government budget deficit ($G - T$) be at equilibrium?
- A. Around -90 units.
 - B. Around -60 units.
 - C. Around -30 units.
 - D. Around zero.
 - E. Around 30 units.
 - F. Around 60 units
 - G. Around 90 units.
13. Which of the following is most likely to be the target of contractionary monetary policy?
- A. To decrease government deficit.
 - B. To lower the price level.
 - C. Both A and B.
 - D. None of the above.
14. Which of the following is LESS likely to be the intention of contractionary fiscal policy?
- A. To curb the national debt.
 - B. To lower the inflation rate.
 - C. To increase government revenue.
 - D. To decrease money demand.

15. Which of the following is most likely to be the target of expansionary fiscal policy?
- A. To increase employment.
 - B. To increase the supply of money.
 - C. Both A and B.
 - D. None of the above.
16. Which of the following was the main cause of both the Great Depression and the 2007-09 World Financial Crisis?
- A. The prices of certain assets increased disproportionately to their real value.
 - B. The US economy was hit by hyperinflation.
 - C. The US government was unable to borrow money due to its enormous debt to GDP ratio.
 - D. The US dollar devaluated.
17. Which of the following may happen when the real interest rate in an economy becomes negative?
- A. Consumption will decrease.
 - B. Prices will tend to fall.
 - C. The quantity of loans will tend to decrease.
 - D. Investment will tend to increase.
18. Which of the following is accurate regarding the Greek Debt crisis?
- A. Austerity imposed by foreign Institutions diminished Greece's production capacity.
 - B. Hyperinflation crippled the Greek economy irreversibly.
 - C. Extremely high interest rates discouraged private investment.
 - D. Greek real GDP increased, but nominal GDP decreased.
19. Suppose that in a scarce-reserves situation, the government decreases income tax in order to stimulate economic activity. How should the Central Bank act in order to facilitate the fiscal policy?
- A. It should offer to buy government securities.
 - B. It should offer to sell government securities.
 - C. It should increase government spending.
 - D. It should not interfere with the government policy.
20. How can the government stabilize a shock that started from the CB decreasing the interest rate?
- A. It could decrease income taxes.
 - B. It could increase its spending.
 - C. Both A and B.
 - D. None of the above.

Good afternoon! As we approach the end, I would like to share some valuable lessons that I have learned through expensive experiences. I am not sure if they will be of any use to you but... you never know. The order is random: (1) Cherish the moments and those around you before they become memories. People and moments sometimes leave us without notice. (2) If you choose to do something, do it well or don't do it at all. Life is too short to waste it in mediocre shit. (3) The only person you need to be competing with is your yesterday's self. (4) You cannot be a Gentleman or a Lady only 'sometimes' or only to 'some'. You either are or you are not and the choice is yours. (5) Giving your best matters more than winning. (6) If somebody makes your life difficult, they are either a jerk or maybe they care for you. In most cases, it's the former, but it's worth exploring to see if it's the latter. (7) The right path is always uphill. (8) Only a foolish person takes pride in something they did not contribute in achieving. (9) Only losers succeed always because they never take on difficult challenges. (10) The journey matters more than the destination but who you are traveling with matters even more. (11) Those who give you advice will not be there to share the cost if you fail. (12) If everyone around you gives you the same advice, listen to them. Then, try to prove them wrong. It is your life. Live it as you want. (13) If everyone around you tells you what you want to hear, start looking for some real friends. (14) If something can be counted (money, likes, views, sexual partners, cars, houses etc.) it doesn't have any real value. Kosmas