ECO 305: Intermediate Macroeconomics
Homework Week 11: Market for Money and the Dynamic General Equilibrium Model

1. Suppose there is an increase in interest rates. Describe and illustrate the impact on the consumers' utility maximizing choice for credit goods and cash goods.

2. Suppose an improvement in financial technology makes it less costly to provide credit services for purchasing goods. Describe and illustrate the impact on the consumers' utility maximizing choice for credit goods and cash goods.

3. Suppose consumers' experience an increase in income. Describe and illustrate the impact on consumers' utility maximizing choice for credit goods and cash goods.

4. Suppose an earthquake destroys buildings and infrastructure that were used the production of goods and services. Describe and illustrate the general equilibrium effects on the economy. Describe and illustrate the short-run consequences on **(a) consumption, (b) investment, (c) real GDP, (d) employment, (e) real wage, (f) real interest rate, (e) aggregate price level, and (f) quantity of nominal money.** Be sure to describe and illustrate the impact on the market for money in your answer.

5. The government passes a bill to cut taxes today and likely finance it with decreases to government expenditures in the future. Describe and illustrate the general equilibrium effects on the economy. Describe and illustrate the short-run consequences on **(a) consumption, (b) investment, (c) real GDP, (d) employment, (e) real wage, (f) real interest rate, (e) aggregate price level, and (f) quantity of nominal money.** Be sure to describe and illustrate the impact on the market for money in your answer.

6. Suppose an improvement in online banking technology makes it less costly to conduct financial transactions. Notice this is an improvement in the technology for financial services, not more generally for the production of final goods and services. Describe and illustrate the general equilibrium effects on the economy. Describe and illustrate the short-run consequences on **(a) consumption, (b) investment, (c) real GDP, (d) employment, (e) real wage, (f) real interest rate, (e) aggregate price level, and (f) quantity of nominal money.** Be sure to describe and illustrate the impact on the market for money in your answer.