

Homework Week 8

- 1 Suppose the government announces that they will cut taxes in the future. Describe and illustrate the impact on the optimal decisions for consumption, leisure, future consumption, and saving.
- 2 Suppose there is an increase in interest rates. Describe and illustrate the impact on the optimal decisions for consumption, leisure, future consumption, and saving.
- 3 Suppose there is an increase in current wages. Describe and illustrate the impact on the optimal decisions for consumption, leisure, future consumption, and saving.
- 4 Suppose technology firms announce a new communication technology that will be soon available and promises to make businesses more productive. Describe how this shifts the investment demand function.
- 5 Suppose a hurricane results in large destruction of capital for a regional economy. Describe how this shifts the investment demand function and the labor demand function.