

4. 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.

5. 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.