

Week 8: Dynamic Consumer & Producer Decisions

- 1 Suppose the government announces that they will increase taxes in the future. Describe and illustrate the impact on the optimal decisions for consumption, leisure, future consumption, and saving.
- 2 Suppose there is a decrease 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 artificial intelligence technology that will be soon available and promises to make businesses more productive. What happens to the marginal product of capital? Describe how this shifts the investment demand function.
- 5 Suppose a hurricane results in large destruction of capital for a regional economy. What happens to the marginal product of labor and the marginal product of capital? Describe how this shifts the investment demand function and the labor demand function.