

4. Algebraically derive the multiplier.

5. Graph the investment function. Graph the aggregate spending function (no government, no foreign trade). Identify the y-intercept and the slope of the AS function.

6. Given: $C = 200 + .8Y$ $I = 200$ $Y_f = 2400$

Calculate:

a) C_f

b) S_f

c) Value of the multiplier

d) Y_e

e) C_e

f) S_e

g) $AS@Y_f$

h) recessionary gap