

## Answers

1. B            2. D            3. 11            4. T            5. F  
6. C            7. Increases / decreases            8. B            9. A  
10-17.            (Not covered in Exam 1)

18.

- a.  $S_p = 750$ ,  $S_g = 0$ ,  $S = 750$   
b.  $r = 5(\%)$   
c.  $S_p = 750$ ,  $S_g = -250$ ,  $S = 500$ .  $r=10(\%)$

19. The interest rate rises, private saving rises, investment and national saving declines. (The decline in I and S is smaller than in the case where consumption does not depend on the interest rate.)

20.

- a.  $I = 1300$ ,  $r=4(\%)$   
b.  $I = 1450$ ,  $r=1(\%)$   
c.  $I = 1300$ ,  $r=10(\%)$