

## Formula Hodgepodge Drill Set 1

Solve the following problems. Show your math.

1. New Government spending is \$20 billion and MPC is 95%, what is the  $\Delta Y$ ?
2. With initial excess reserves of 700 dollars and a reserve requirement of 25%, how much will  $\Delta M1$ ?
3. Taxes are decreased by 10 billion dollars and MPC is .9, how will  $\Delta Y$ ?
4. With initial excess reserves of \$1,200 dollars and the  $\Delta M1$  \$120,000, what is the multiplier?
5. A basket of goods cost \$500 in the U.S. and 1500 pesos in Mexico. What is the nominal exchange rate?
6. Federal income taxes are increased by \$350 billion and federal spending is increased by \$350 billion. How will  $\Delta Y$ ?
7.  $\pi$  is 3% and “i” is 7%, what is “r”?
8. Nominal GDP is 6000 and the implicit GDP price deflator is 300. What is real GDP?
9. The rate of unemployment is 7%. What is the GDP gap?
10. MPS is .2. What is MPC?