In the income-expenditure model, we are given

$$Y = C + I + G$$
$$C = a + bY$$
$$I = \bar{I} = \text{constant.}$$

1. Solve the model for Y as a function of I and G.

2. Compute the government expenditure multiplier $\dfrac{\partial Y}{\partial G}$. Is it increasing or decreasing in the marginal propensity to consume b? Why?