

**Economics 304**  
**Daily Problem #16**

**Fall 2013**  
**October 30**

1. Consider the following macroeconomic model, which is a minor modification of the one in the last daily problem:

$$Y = C + I + G$$

$$C = \bar{C} + 0.75(Y - T)$$

$$T = 0.20Y$$

$$I = \bar{I} - 20i$$

$$G = \bar{G},$$

where  $\bar{C}$ ,  $\bar{I}$ , and,  $\bar{G}$  are constants. We assume that this is a closed economy, so  $PCA = 0$ .

What is the equation for the  $IS$  curve? What is its slope and what does that slope number mean?

2. Recently selected Federal Reserve chair Janet Yellen is thought to be more concerned about full employment than outgoing chair Ben Bernanke. If this is true, how will Yellen's appointment affect the slope of the U.S.  $TR$  curve?