

ECON 3020: Intermediate Macroeconomics

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Problem Set 4

Due: 4/9/2026

Chapter 5 - Problems:

1, 2, 6

Additional question: Using the python script discussed in class answer the following questions.

1. What is the optimal real wage rate, consumption level, leisure, and labor choice for the model with $G = 2$, $z = 1$, and $K = 1$?
2. Now increase government expenditures to $G = 4$. What is the optimal real wage rate, consumption level, leisure, and labor choice? How does this compare to part 1? Do your results make sense?
3. Now change the preference parameter so that $\beta = 2$. Now redo parts 1 and 2. How does changing the preference parameter impact the response to a change in G ?