

Economics 152
Problem Set 3

PART 1 (5 POINTS)

Suppose Greenland has a total population of 12 million people. Of these, 4 million people are under the age of 16 or are institutionalized, and an additional 2 million people either do not work or are not able to work. Assume that 5.5 million people are already employed. Compute the unemployment rate in this country.

PART 3 (5 POINTS)

Mr. X is contemplating of installing an additional machine in his firm. The cost of the machine is \$1200. Mr. X expects that using the machine will increase his output and revenues to \$1500. Assume that the nominal interest rate in the economy is 10% and the inflation rate is 5%. Explain clearly whether Mr. X should install the machine.

PART 4 (5 POINTS)

Complete the following table assuming that (a) $MPS = 1/6$, (b) there is no government and all saving is personal saving.

Level of Output and Income	Consumption	Saving
\$ 350	\$ 360	-----
375	-----	-----
400	-----	-----
425	-----	-----
450	-----	-----