

1. (30 points) A proposed Math 116 stimulus package consists of the government giving \$100 billion to individuals in the U.S. via a tax cut. We suppose that all those receiving a tax cut spend 80% of the money they get and save 20% of it. The 80% that they spend is then going to other people (shop owners, employees, etc.). These other people then spend 80% of what they receive and save 20%. This continues on indefinitely. Calculate the total additional spending created by this \$100 billion tax cut.