

Final Exam Quiz

THOSE WHO COPY YOUR FRIENDS OR LET YOUR FRIENDS COPY YOU WILL BE AWARDED ZERO.

ปล ผมจดไว้แล้วนะครับว่าตอนมิตเทอมใครลอกของใคร ครั้งนี้ขอเตือนเลยที่ผมไม่ยอมแล้วนะครับ

ผมต้องลงโทษ ไม่งั้นต่อไปคงไม่มีใครอยากซื้อสตั๊ด

Submission Guide: You can upload up to 3 files on Moodle. If the whole file is too large, you should break it down and upload 3 files, each containing 1 question.

Question 1

Draw 3 diagrams (Keynesian Cross, Money Market, IS-LM) to **show and briefly explain** the followings:

- The crowding-out effect when the government increases its spending
- Another policy that can be used to avoid the crowding-out effect

Question 2

Draw the IS-LM diagram. **Pick ANY point on either the IS curve or the LM curve** (NOT the general equilibrium point). ย้ำว่าเลือกจุดไหนก็ได้ที่อยู่บนเส้น IS หรือ LM ที่ไม่ใช่จุดตัดตรงกลางของสองกราฟ

Use the diagram that you draw to briefly explain how the two markets at **your current point** will adjust towards the general equilibrium.

Question 3

Assume that the liquidity preference function (real money demand) is given by the $L(Y, i) = L_0 + L_Y Y - L_i i$.

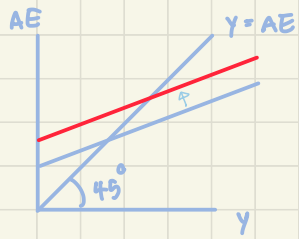
Note that L_0 is **autonomous money demand**, while other terms are the same as in the lecture slides.

Now suppose that L_0 falls.

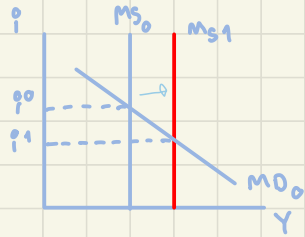
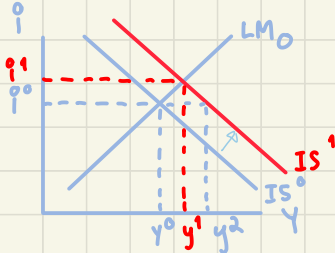
- Give ONE reason why this may happen.
- Show and briefly explain the effect of the fall in L_0 on the 4 diagrams (Keynesian Cross, Money Market, IS-LM, AD).

Q1

a)

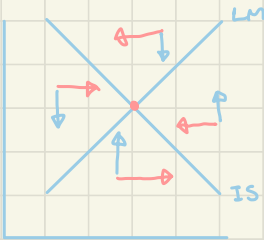


b) Monetary policy
 → Central bank have to adjust money supply

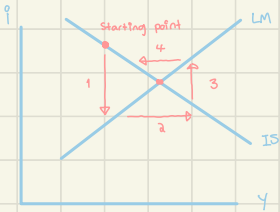


$i \downarrow \rightarrow I \uparrow \rightarrow AE \rightarrow Y \uparrow$
 (i_0 falls to i_1)

Q2



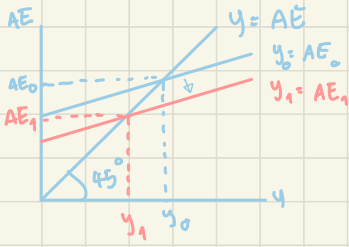
- Adjust in money market
- Adjust in goods & services market



- 1) MM. = $Y \downarrow \rightarrow M_d \downarrow \rightarrow i \uparrow$
- 2) G&S M. = $i \uparrow \rightarrow I \downarrow \rightarrow Y \downarrow$
- 3) MM. = $Y \downarrow \rightarrow M_d \downarrow \rightarrow i \uparrow$
- 4) G&S M. = $i \downarrow \rightarrow I \uparrow \rightarrow Y \uparrow$

Q3

b)



a) Economy would be in a recession at this time or we call deflation.

