

Rujirat Eiamsirikulmit

Final Exam Quiz

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

ปล ผมจดไว้แล้วนะครับว่าตอนมิตเทอมใครลอกของใคร ครั้งนี้ขอเตือนเลยที่ผมไม่ยอมแล้วนะครับ

ผมต้องลงทะเบียน 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.

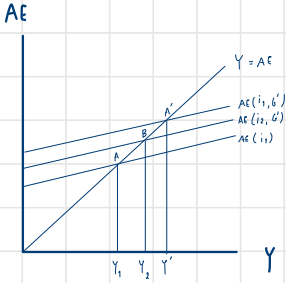
Now suppose that L_0 falls.

- 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).

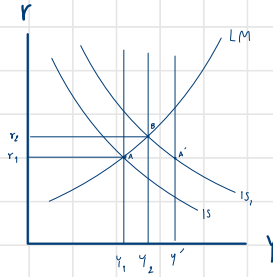
Q₁

A

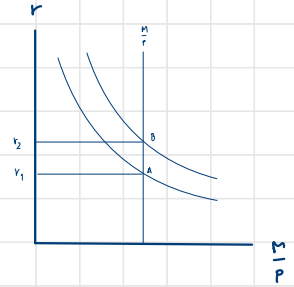
Keynesian



IS-LM



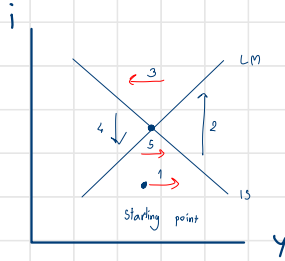
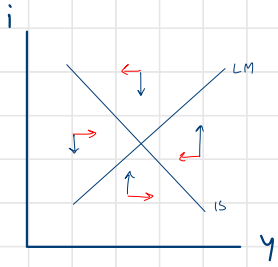
MONEY MARKET



B

monetary policy - because of central bank can decrease or increase the money supply to control interest rate

Q₂



- adjustment in G&S mkt

- adjustment in money mkt

- | | |
|-------|---|
| 1. GM | $y < AE \rightarrow y \uparrow$ |
| 2. MM | $y \uparrow \rightarrow Md \uparrow \rightarrow i \uparrow$ |
| 3. GM | $i \uparrow \rightarrow I \downarrow \rightarrow y \downarrow$ |
| 4. MM | $y \downarrow \rightarrow Md \downarrow \rightarrow i \downarrow$ |
| 5. GM | $i \downarrow \rightarrow I \uparrow \rightarrow y \uparrow$ |