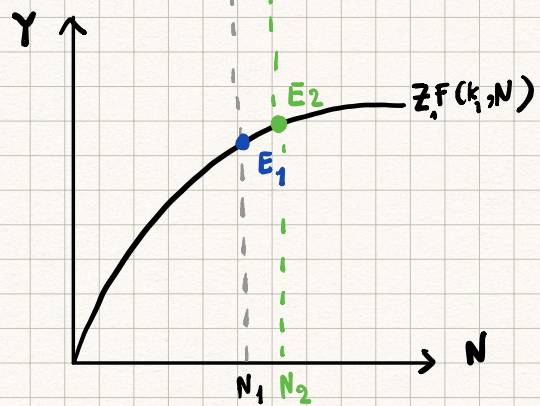
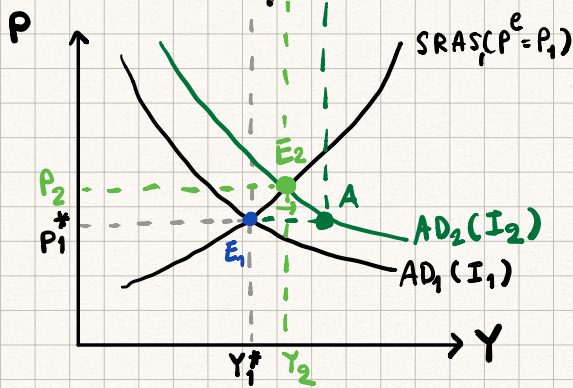
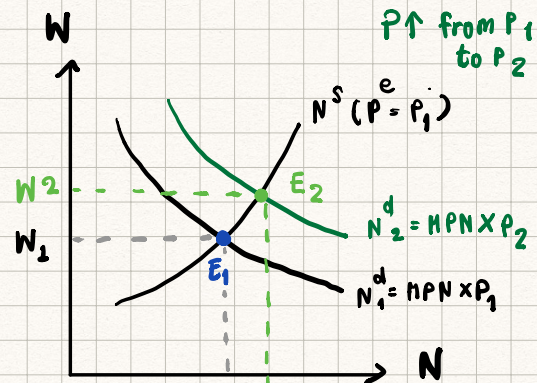
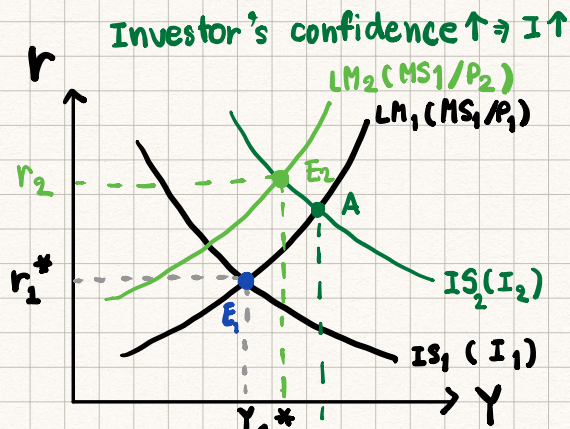


SHORT-RUN



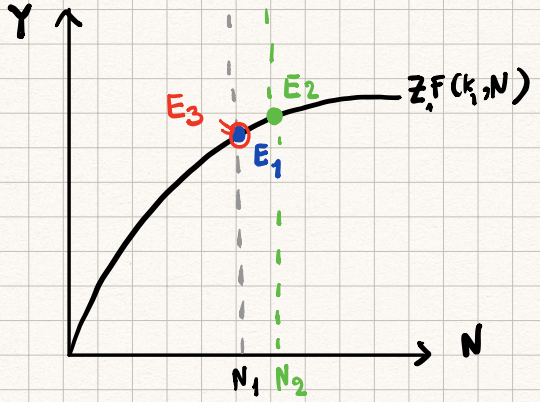
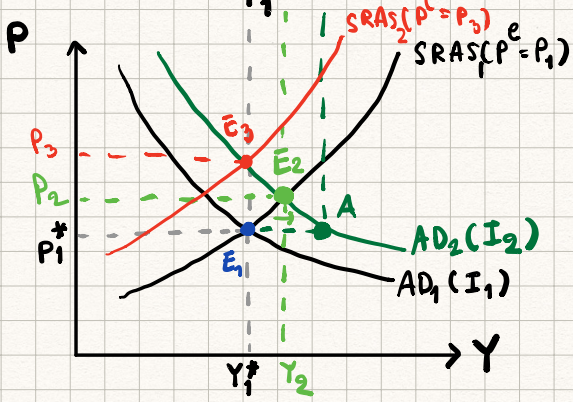
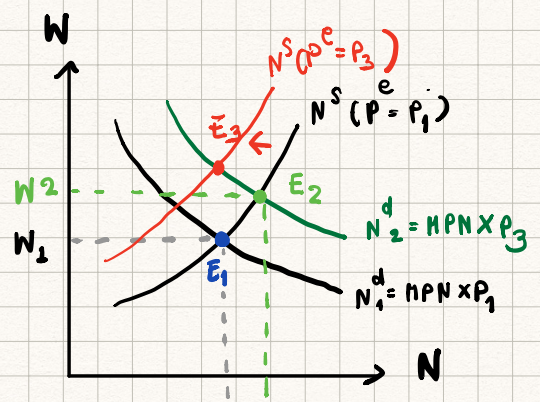
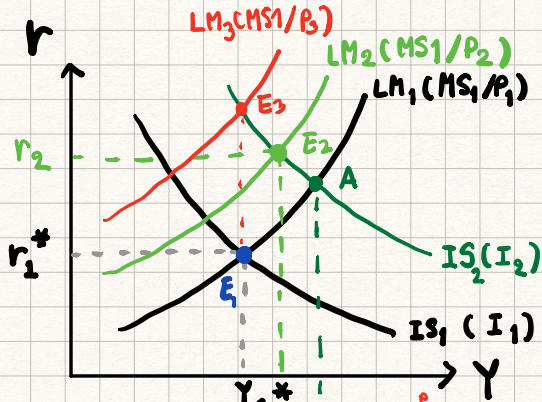
- SR from the initial equilibrium to the new SR equilibrium after the AD shocks, keeping P^e constant

from $E_1 \Rightarrow E_2$

compare the SR equilibrium after shocks with initial equilibrium

Medium-run // Long-run •

Investor's confidence $\uparrow \Rightarrow I \uparrow$



medium run = adjustment from SR to LR

$E_2 \Rightarrow E_3$

Compare LR equilibrium with SR equilibrium after ^{the} shocks

long-run \Rightarrow from the beginning to LR Equilibrium

$E_1 \Rightarrow E_3$

Compare LR equilibrium with initial equilibrium

EE312 (2/2019 Section 046402): Quiz 3. The Core IS-LM AD-AS [100 marks 10 Min.]

Part 1. (10 marks) Short answer.

1. Please write down SRAS function applied for both sticky wage model and sticky price model.

$$Y = \bar{Y} + \alpha(P - P^e) \text{ or } P = \theta P^e + (1 - \theta)[\bar{P} + \alpha(Y - \bar{Y})] \text{ or } Y = \bar{Y} + \frac{\theta}{(1 - \theta)\alpha} [P - P^e] \text{ or } P = P^e + \frac{(1 - \theta)\alpha}{\theta} (Y - \bar{Y})$$

Part 2. (90 marks) Multiple choices. 3 marks each. Use the sticky wage model. Suppose initially the economy starts at full-employment level of output. Please choose the correct answer by **circling** the choice.

Let the economy starts at initial equilibrium $(r^*, Y^*, P^*, W^*, w^*, N^*, C^*, I^*)$. Suppose there is a positive demand shocks. For example, investor' confidence increases.

1. (18 marks) In the Short Run, what will happen to the following curve?

Production function	(a) rotates upward	(b) rotates downward	(c) remains the same
Labor Supply	(a) shifts to the right	(b) shifts to the left	(c) remains the same
Labor Demand	(a) shifts to the right	(b) shifts to the left	(c) remains the same
SRAS	(a) shifts to the right	(b) shifts to the left	(c) remains the same
AD	(a) shifts to the right	(b) shifts to the left	(c) remains the same
IS Curve	(a) shifts to the right	(b) shifts to the left	(c) remains the same

2. (30 marks) In the short run, how do these following variables change (compare to the initial equilibrium)? This is the equilibrium after the shocks.

Output	(a) increases	(b) decreases	(c) remains the same
Employment	(a) increases	(b) decreases	(c) remains the same
Interest rate	(a) increases	(b) decreases	(c) remains the same
Real Wage	(a) increases	(b) decreases	(c) remains the same
Nominal Wage	(a) increases	(b) decreases	(c) remains the same
Price level	(a) increases	(b) decreases	(c) remains the same
Real Mondey Supply	(a) increases	(b) decreases	(c) remains the same
Investment	(a) increases	(b) decreases	(c) remains the same
Consumption	(a) increases	(b) decreases	(c) remains the same
Worker's expected price (P^e)	(a) increases	(b) decreases	(c) remains the same

3. (12 marks) In the medium run, how does the economy adjust to long run equilibrium? Compare to the equilibrium after the shocks.

Worker's expected price (P^e)	(a) increases	(b) decreases	(c) remains the same
Labor Supply	(a) shifts to the right	(b) shifts to the left	(c) remains the same
SRAS	(a) shifts to the right	(b) shifts to the left	(c) remains the same
AD	(a) shifts to the right	(b) shifts to the left	(c) remains the same

4. (15 marks) In the medium-run, how following variables change? Compare to the equilibrium after the shocks.

Output	(a) increases	(b) decreases	(c) remains the same
Employment	(a) increases	(b) decreases	(c) remains the same
Real Wage	(a) increases	(b) decreases	(c) remains the same
Nominal Wage	(a) increases	(b) decreases	(c) remains the same
Price level	(a) increases	(b) decreases	(c) remains the same

5. (15 marks) After the adjustment in the medium-run, in the long-run equilibrium, how do the following variables change? Compare to the initial equilibrium.

Output	(a) increases	(b) decreases	(c) remains the same
Employment	(a) increases	(b) decreases	(c) remains the same
Real Wage	(a) increases	(b) decreases	(c) remains the same
Nominal Wage	(a) increases	(b) decreases	(c) remains the same
Price level	(a) increases	(b) decreases	(c) remains the same

EE312 (2/2019 Section 046402): Quiz 3. The Core IS-LM AD-AS [100 marks 10 Min.]

Part 1. (10 marks) Short answer.

1. Please write down SRAS function applied for both sticky wage model and sticky price model.

$$Y = \bar{Y} + \alpha(P - P^e) \text{ or } P = \beta P^e + (1 - \beta)[\bar{P} + \alpha(Y - \bar{Y})] \text{ or } Y = \bar{Y} + \frac{S}{(1 - S)\alpha} [P - P^e] \text{ or } P = P^e + \frac{(1 - S)\alpha}{S} (Y - \bar{Y})$$

Part 2. (90 marks) Multiple choices. 3 marks each. Use the sticky wage model. Suppose initially the economy starts at full-employment level of output. Please choose the correct answer by **circling** the choice.

Let the economy starts at initial equilibrium $(r^*, Y^*, P^*, W^*, w^*, N^*, C^*, I^*)$. Suppose there is positive demand shocks. For example, investor' confidence increases.

1. (18 marks) In the Short Run, what will happen to the following curve?

Production function	(a) rotates upward	(b) remains the same	(c) rotates downward
Labor Supply	(a) shifts to the right	(b) remains the same	(c) shifts to the left
Labor Demand	(a) shifts to the right	(b) remains the same	(c) shifts to the left
SRAS	(a) shifts to the right	(b) remains the same	(c) shifts to the left
AD	(a) shifts to the right	(b) remains the same	(c) shifts to the left
IS Curve	(a) shifts to the right	(b) remains the same	(c) shifts to the left

2. (30 marks) In the short run, how do these following variables change (compare to the initial equilibrium)? This is the equilibrium after the shocks.

Output	(a) increases	(b) remains the same	(c) decreases
Employment	(a) increases	(b) remains the same	(c) decreases
Interest rate	(a) increases	(b) remains the same	(c) decreases
Real Wage	(a) increases	(b) remains the same	(c) decreases
Nominal Wage	(a) increases	(b) remains the same	(c) decreases
Price level	(a) increases	(b) remains the same	(c) decreases
Real Mondey Supply	(a) increases	(b) remains the same	(c) decreases
✓ Investment	(a) increases	(b) remains the same	(c) decreases
Consumption	(a) increases	(b) remains the same	(c) decreases
Worker's expected price (P^e)	(a) increases	(b) remains the same	(c) decreases

3. (12 marks) In the medium run, how does the economy adjust to long run equilibrium? Compare to the equilibrium after the shocks.

Worker's expected price (P^e)	(a) increases	(b) remains the same	(c) decreases
Labor Supply	(a) shifts to the right	(b) remains the same	(c) shifts to the left
SRAS	(a) shifts to the right	(b) remains the same	(c) shifts to the left
AD	(a) shifts to the right	(b) remains the same	(c) shifts to the left

4. (15 marks) In the medium-run, how following variables change? Compare to the equilibrium after the shocks.

Output	(a) increases	(b) remains the same	(b) decreases
Employment	(a) increases	(b) remains the same	(b) decreases
Real Wage	(a) increases	(b) remains the same	(b) decreases
Nominal Wage	(a) increases	(b) remains the same	(b) decreases
Price level	(a) increases	(b) remains the same	(b) decreases

5. (15 marks) After the adjustment in the medium-run, in the long-run equilibrium, how do the following variables change? Compare to the initial equilibrium.

Output	(a) increases	(b) remains the same	(b) decreases
Employment	(a) increases	(b) remains the same	(b) decreases
Real Wage	(a) increases	(b) remains the same	(b) decreases
Nominal Wage	(a) increases	(b) remains the same	(b) decreases
Price level	(a) increases	(b) remains the same	(b) decreases

EE312 (2/2019 Section 046402): Quiz 3. The Core IS-LM AD-AS [100 marks 10 Min.]

Part 1. (10 marks) Short answer.

or $P = P^e + \frac{1}{2} (\pi - \bar{\pi})$

1. Please write down SRAS function applied for both sticky wage model and sticky price model.

$\gamma = \bar{\gamma} + \alpha (P - P^e)$ or $P = \beta P^e + (1 - \beta) [\bar{P} + \alpha (\gamma - \bar{\gamma})]$ or $\gamma = \bar{\gamma} + \frac{S}{(1-S)\alpha} [P - P^e]$ or $P = P^e + \frac{(1-S)\alpha}{S} (\gamma - \bar{\gamma})$

Part 2. (90 marks) Multiple choices. 3 marks each. Use the sticky wage model. Suppose initially the economy starts at full-employment level of output. Please choose the correct answer by **circling** the choice.

Let the economy starts at initial equilibrium $(r^*, Y^*, P^*, W^*, w^*, N^*, C^*, I^*)$. Suppose there is a positive demand shocks. For example, investor' confidence increases.

1. (18 marks) In the Short Run, what will happen to the following curve?

Production function	(a) remains the same	(b) rotates downward	(c) rotates upward
Labor Supply	(a) remains the same	(b) shifts to the left	(c) shifts to the right
Labor Demand	(a) remains the same	(b) shifts to the left	(c) shifts to the right
SRAS	(a) remains the same	(b) shifts to the left	(c) shifts to the right
AD	(a) remains the same	(b) shifts to the left	(c) shifts to the right
IS Curve	(a) remains the same	(b) shifts to the left	(c) shifts to the right

2. (30 marks) In the short run, how do these following variables change (compare to the initial equilibrium)? This is the equilibrium after the shocks.

Output	(a) remains the same	(b) decreases	(c) increases
Employment	(a) remains the same	(b) decreases	(c) increases
Interest rate	(a) remains the same	(b) decreases	(c) increases
Real Wage	(a) remains the same	(b) decreases	(c) increases
Nominal Wage	(a) remains the same	(b) decreases	(c) increases
Price level	(a) remains the same	(b) decreases	(c) increases
Real Mondey Supply	(a) remains the same	(b) decreases	(c) increases
Investment	(a) remains the same	(b) decreases	(c) increases
Consumption	(a) remains the same	(b) decreases	(c) increases
Worker's expected price (P^e)	(a) remains the same	(b) decreases	(c) increases

3. (12 marks) In the medium run, how does the economy adjust to long run equilibrium? Compare to the equilibrium after the shocks.

Worker's expected price (P^e)	(a) remains the same	(b) decreases	(c) increases
Labor Supply	(a) remains the same	(b) shifts to the left	(c) shifts to the right
SRAS	(a) remains the same	(b) shifts to the left	(c) shifts to the right
AD	(a) remains the same	(b) shifts to the left	(c) shifts to the right

4. (15 marks) In the medium-run, how following variables change? Compare to the equilibrium after the shocks.

Output	(a) remains the same	(b) decreases	(c) increases
Employment	(a) remains the same	(b) decreases	(c) increases
Real Wage	(a) remains the same	(b) decreases	(c) increases
Nominal Wage	(a) remains the same	(b) decreases	(c) increases
Price level	(a) remains the same	(b) decreases	(c) increases

5. (15 marks) After the adjustment in the medium-run, in the long-run equilibrium, how do the following variables change? Compare to the initial equilibrium.

Output	(a) remains the same	(b) decreases	(c) increases
Employment	(a) remains the same	(b) decreases	(c) increases
Real Wage	(a) remains the same	(b) decreases	(c) increases
Nominal Wage	(a) remains the same	(b) decreases	(c) increases
Price level	(a) remains the same	(b) decreases	(c) increases