

EE212 1/2021

### Assignment 12: Government spending and AD AS model

If government decide to reduce government spending, how this situation affect real interest rate ( $r$ ) and real income ( $Y$ ) in the IS-LM model and equilibrium price ( $p$ ) and equilibrium output ( $Y$ ) in AD-AS model. You should explain all the steps and the adjustment process similar to what I did in my lecture.

Deadline: Thursday November 25<sup>th</sup>, 2021 midnight

Note: Please name your file as **Assignment\_12\_Government\_spending\_and\_AD\_AS\_Model**