

Quiz EE212

Time allowed: 1 hour from 19.00 – 20.00

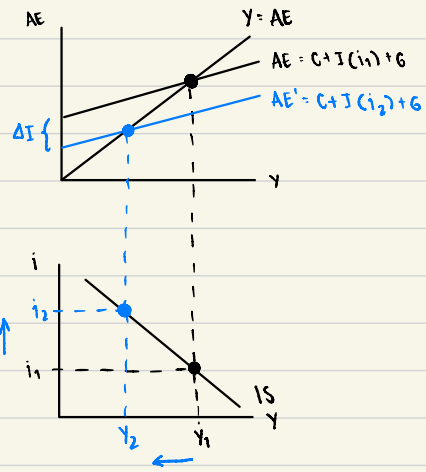
Submission time: 15 minutes

Latest submission by 20.15

Do not write too much. Brief explanation is sufficient.

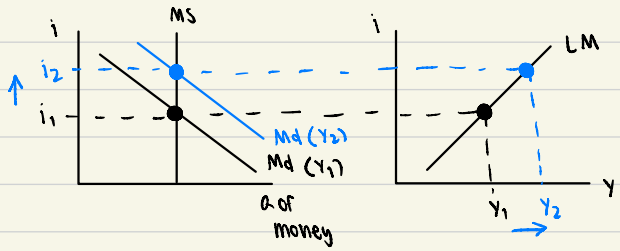
1. Use TWO relevant diagrams to explain how the IS curve is derived from the goods market.
2. Use TWO relevant diagrams to explain how the LM curve is derived from the money market.
3. Use relevant diagrams to explain how the AD curve is derived from the IS-LM model.
4. Use relevant diagrams to explain how the SRAS curve is derived from the labor demand and the production function.

1.



when $i \uparrow \rightarrow I \downarrow$ so AE shifts down $\rightarrow Y \downarrow$
 IS curve : interest rate and output have a negative relationship

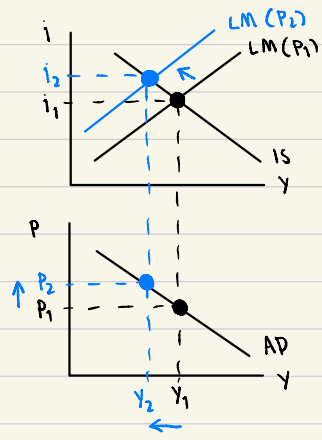
2.



when Income $Y \uparrow \rightarrow M_d \uparrow$
 $\rightarrow i \uparrow$ as well so $M_d \downarrow$ and remain at equilibrium,
 $M_d = M_s$

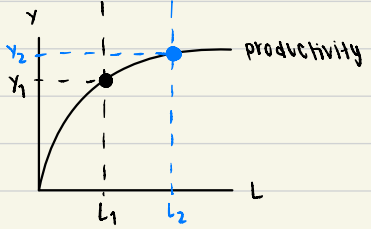
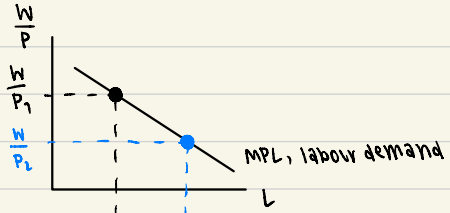
LM curve : i & Y have a positive relationship

3.



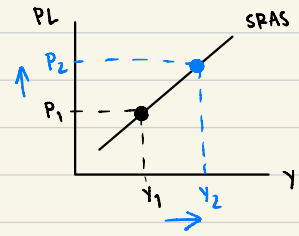
when $PL \uparrow \rightarrow M_s$ or $\frac{M}{P} \downarrow \rightarrow LM$ shifts left
 $\rightarrow i \uparrow \rightarrow I \downarrow \rightarrow AE \downarrow \rightarrow$ movement on IS curve
 $\rightarrow Y \downarrow$
 AD curve : price level & output have a negative relationship

4.



when $PL \uparrow \rightarrow$ real wage, $\frac{W}{P} \downarrow$

\rightarrow firm's profitability $\uparrow \rightarrow$ willing to hire more workers $\rightarrow Y \uparrow$



SRAS curve: PL & Y have a positive relationship