

Quiz EE212

Time allowed: 1 hour from 19.00 – 20.00

Submission time: 15 minutes

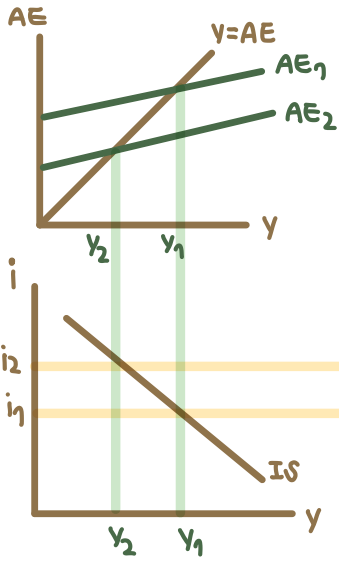
Latest submission by 20.15

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. Use TWO relevant diagrams to explain how the IS curve is derived from the goods market.

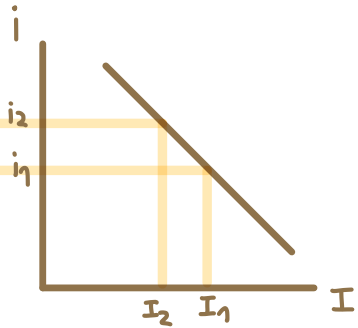
① Keynesian Cross



The IS curve

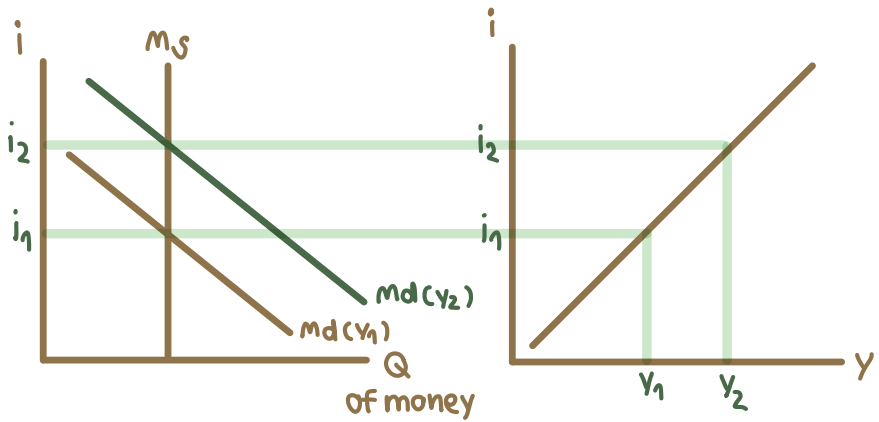
IS relation:

$$i \downarrow \rightarrow I \uparrow \rightarrow AE \uparrow \rightarrow Y \uparrow$$



② Investment function

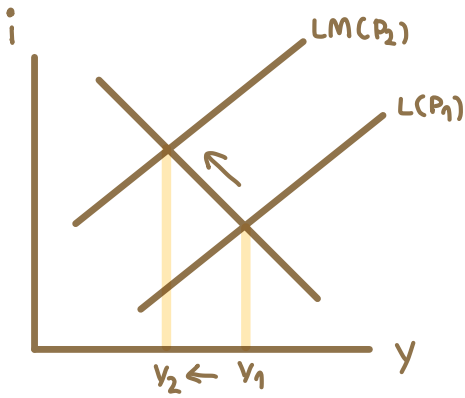
2. Use TWO relevant diagrams to explain how the LM curve is derived from the money market.



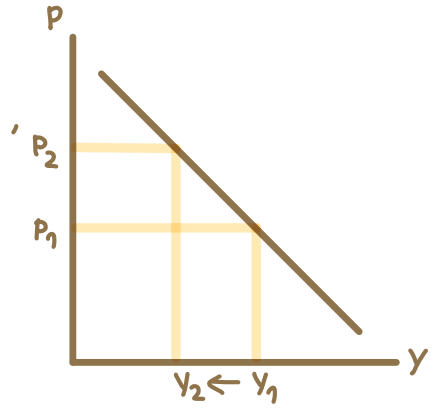
LM relation: $y \uparrow \rightarrow md \uparrow$
 $i \uparrow \rightarrow md \downarrow$ } $md = m_s$

3. Use relevant diagrams to explain how the AD curve is derived from the IS-LM model.

① IS-LM model



② AD curve



4. Use relevant diagrams to explain how the SRAS curve is derived from the labor demand and the production function.

