Student Number .....

Student ID.....

EE312 Macroeconomics, 2/2013 (Sec. 046402)
Problem Sets 7

Please submit at the BE office, 5th floor department of Economics building.
Deadline of submission :
You may **submit on or before** the deadline.
Late submission will not be accepted.

1. **In the Keynesian sticky-wage (IS-LM-AD-AS) model**, what are the effect of an increase in government spending on the real interest rate, employment, aggregate output, the real wage, consumption, investment, the price level and average labour productivity? [Self practice: If the country moves from closed-economy to free trade and free capital movement, what are the main differences from previous analysis. ? Hint : Follow the lectures and compare the key results. Try to do this part of the question, after we finish Chapter 10. International Macroeconomics.]