EE312 Macroeconomics, 2/2013 (Sec. 046402)
Self Practice Question

Ch 9 Keynesian Sticky Wage Model and Ch10 International Macroeconomics

Do not need to submit. No mark for this homework.

You may submit your work to me directly if you want a feed back. I will return it to you within 4 working days.

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? 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 for Ch 9 and Ch10 and compare the main results.