

Sariya Jearakul
6404641042.

Quiz EE212

Time allowed: 1 hour from 19.00 – 20.00

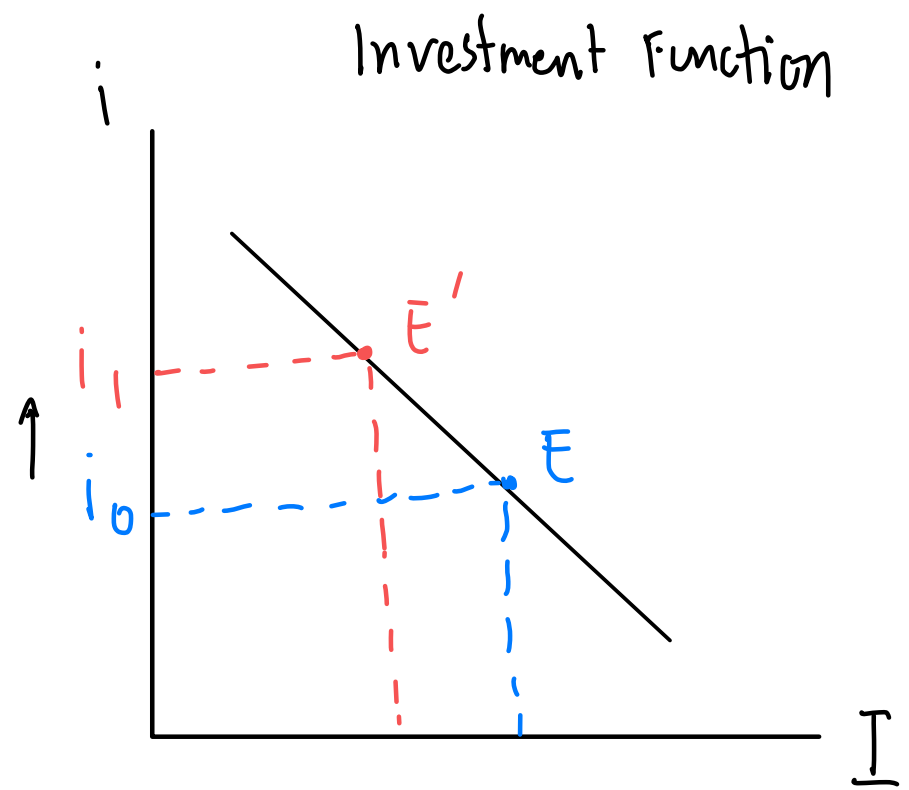
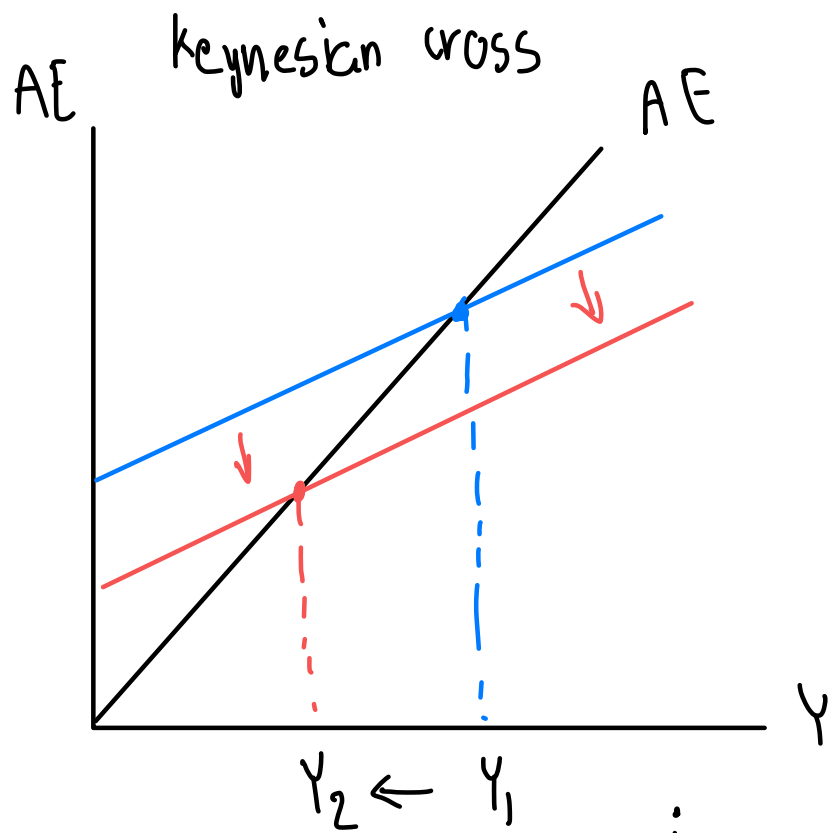
Submission time: 15 minutes

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.

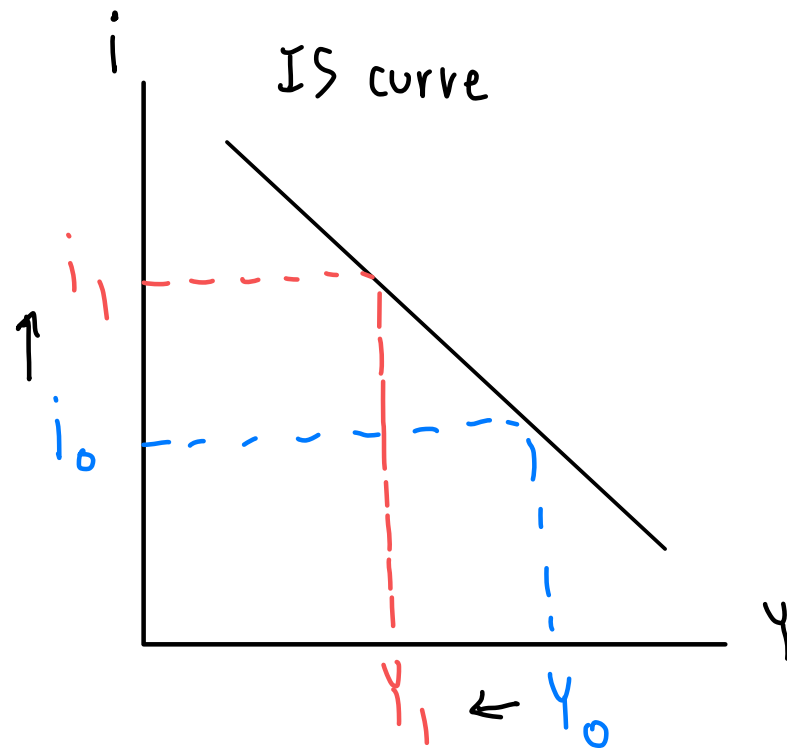
①.



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

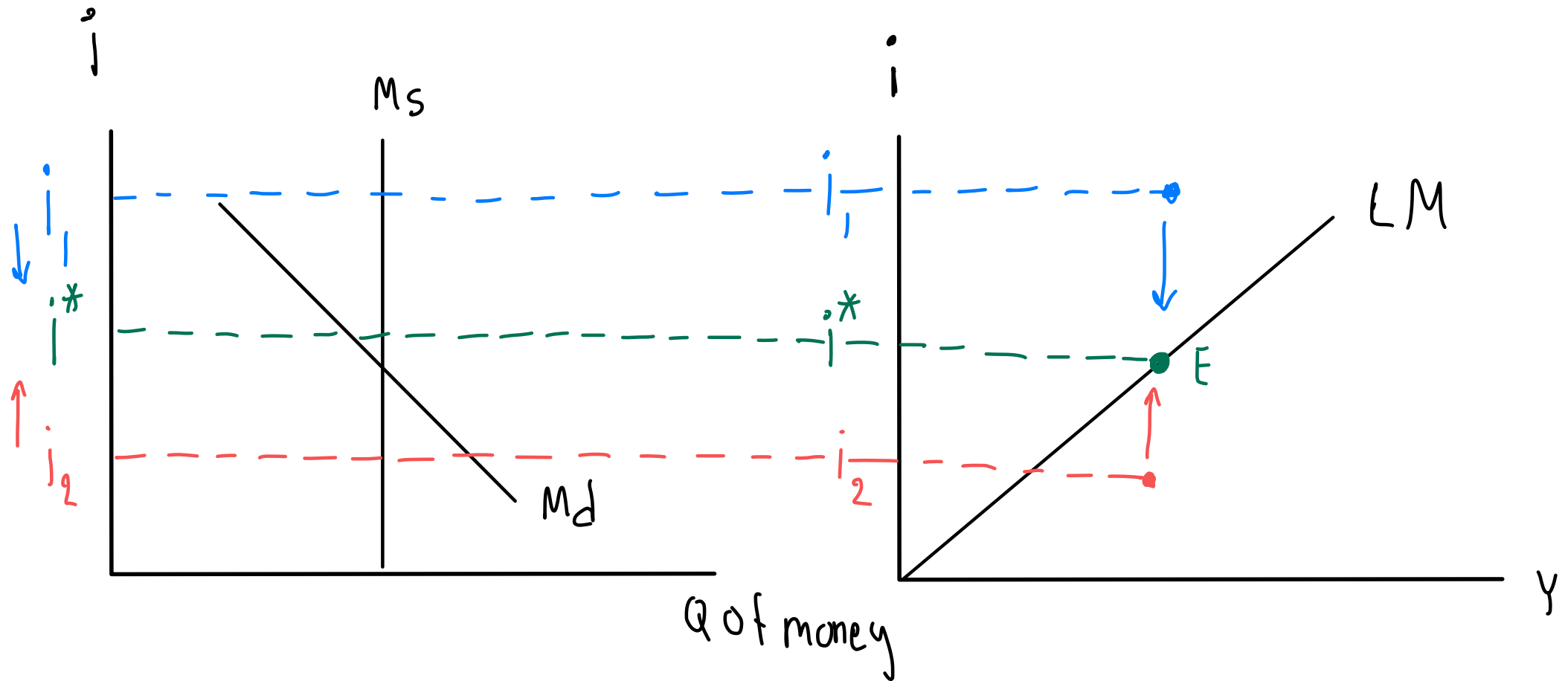
They showed a negative relationship in IS curve.

* higher i reduces Y *



②.

Need to move point to the left when i is above E_{qbm} and move point to the right when i is under E_{qbm} rate.

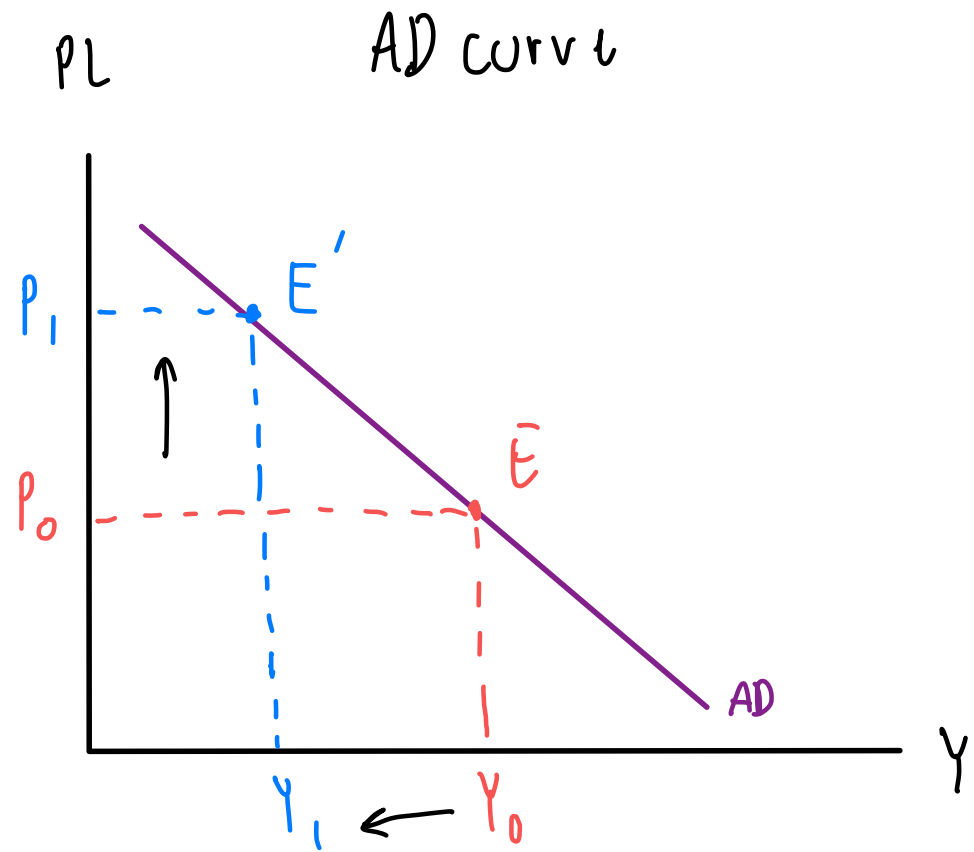
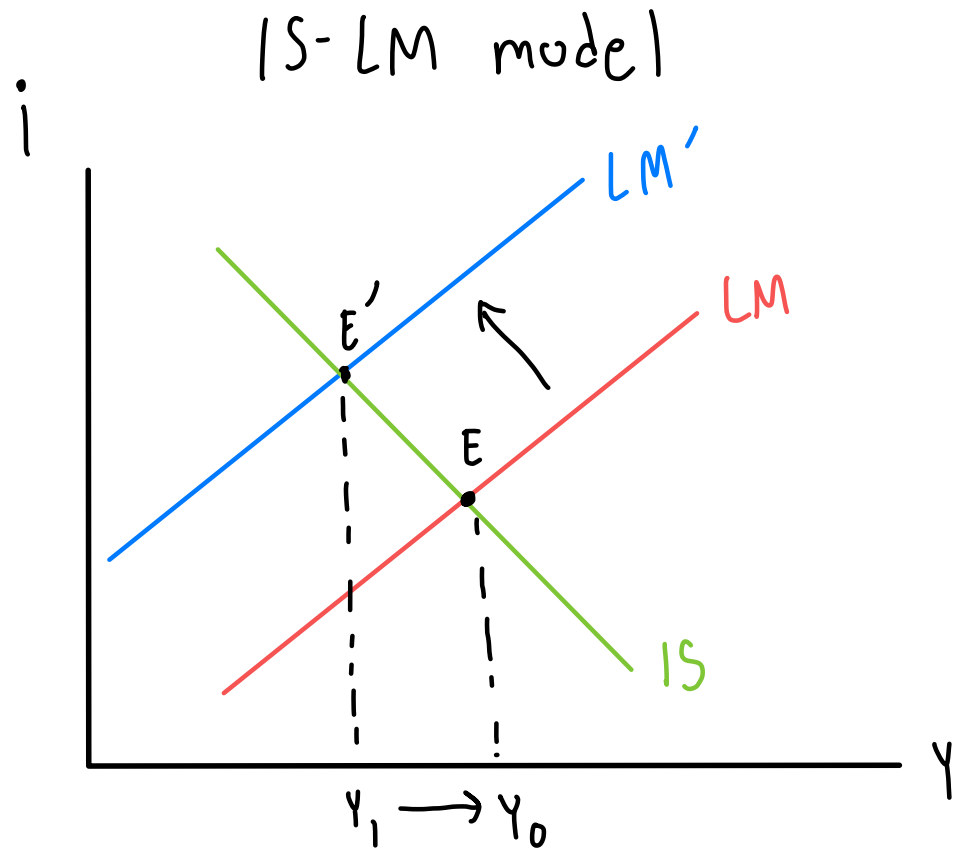


Shows combinations of i and Y , $M_d = M_s$

The LM curve show positive relationship between i and Y

→ Higher i raises Y , so that $M_d = M_s$.

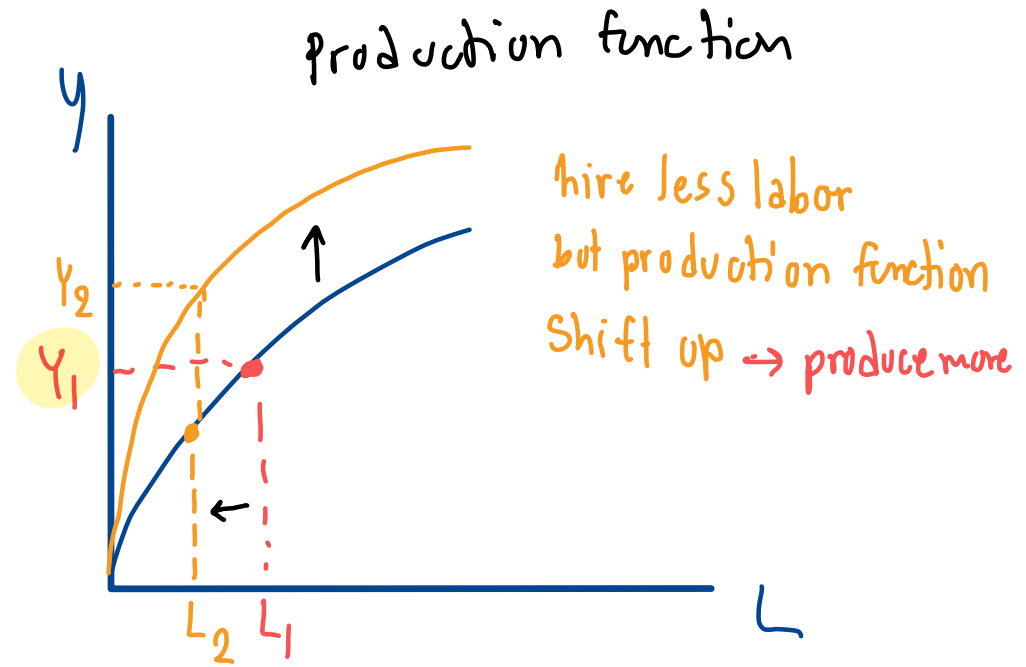
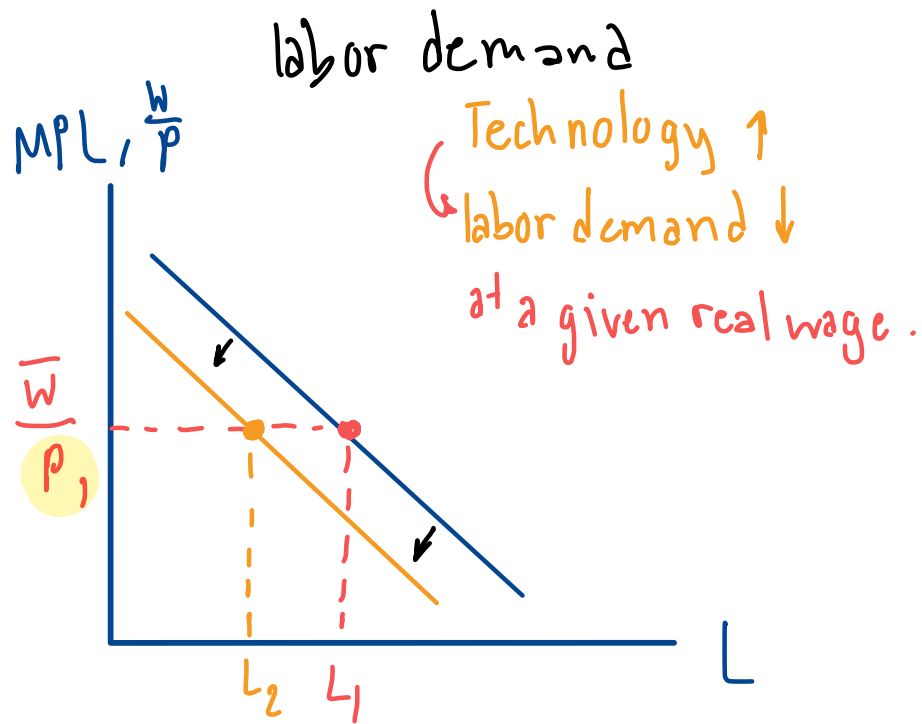
③. AD curve relates price level to income and output



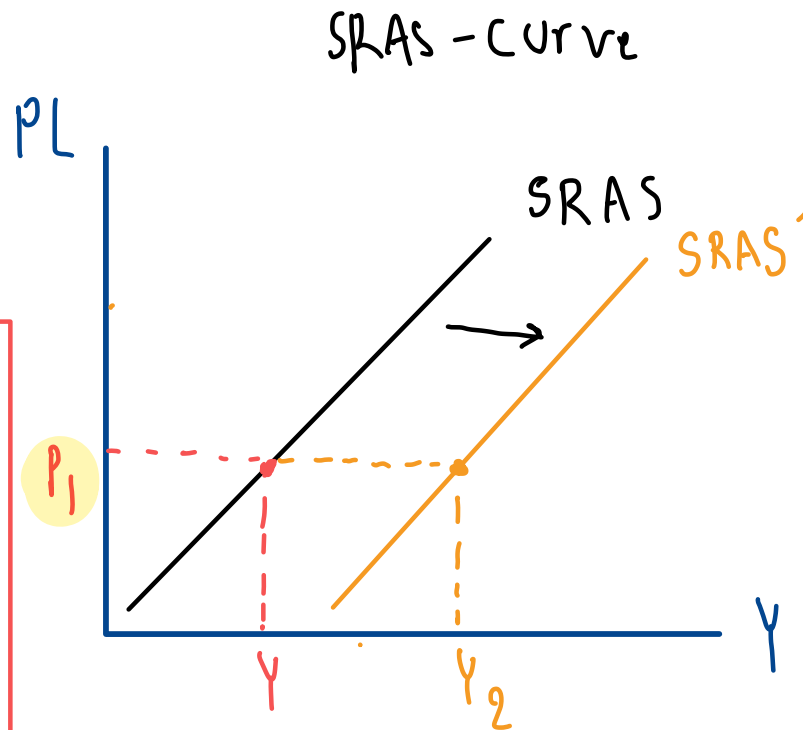
Suppose that we have a constant M_s . If the PL rises, the supply of real money falls.

As a result LM curve shifts upwards to the left.

This leads to rise in i and fall in Y as shown in the graph.



Technology $\uparrow \rightarrow y \uparrow$
 (SRAS shifts to the right)



at the same level
 $P_1 \rightarrow$ shift to
 y_2 (produce more
 even though
 price level remain
 the same).

If PL change \rightarrow movement on SRAS
 nominal wage $\uparrow \rightarrow$ hire less labor
 \rightarrow produce less
 \rightarrow SRAS shifts to the left.