ADAS Homework Questions

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1. B

2. A

3. A

4. D

5. C

6. D

7. D

8. In the short run, the real output would decline and the price level would be unchanged. In the long run, equilibrium would be restored and a lower price level would be the result.

9. In the short run the output would increase and the price level would remain unchanged. In the long run, equilibrium would be achieved by raising prices and the result would be a higher price level. If they continuously increased the money supply this cycle would continue to repeat itself and where a short term output gain is seen but later prices rise to reach equilibrium.

10.

    a. This is a decrease in the money supply which in the short term would result in a decline in output and the price   level would remain unchanged

    b. This would result in a decline in output and the price level would remain unchanged

    c. The AD would lower and as a result the money supply would decline as well. The price level would remain   unchanged

    d. Increase in expected inflation shifts the AD down and to the left and as a result the money supply would decline   and the price level would remain unchanged

    e. This would result in a lower AD and as a result the money supply would decline as well. The price level would   remain unchanged

11.

    a. 10 - 2 = 8%

    b. 10 - 8 = 2%

    c. 10 - 10 = 0%

    d. 10 - 15 = -5%

12. The SRAS curve would shift to the left since the supply has decreased. In the short run the price level would not change and the output would decrease. In the long run price level would decline and the output would reach equilibrium.