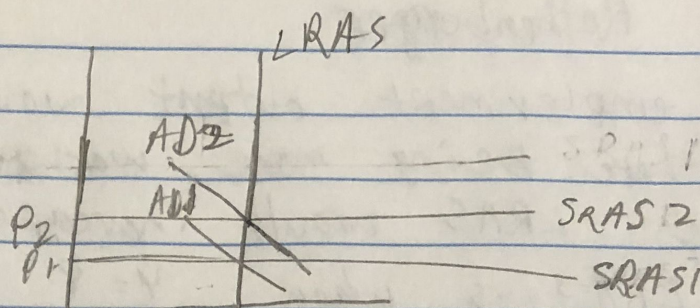# Quiz 4

Dalton Rothenberger

1 a) The full employment output would increase
due to there being more workers
so the LRAS would increase

b) Since LRAS is when $Y = \bar{Y}$ this means
$u = \bar{u}$ so raising the minimum wage not
change who is employed because we are
thinking at full-employment. So there
would be no effect on LRAS.

c) This would increase LRAS because this
would be an increase in productivity
so full employment output would increase so
LRAS would increase.

d) This would decrease LRAS because this
would cause a decrease in productivity
so full-employment output would decrease.

2) LRAS is a vertical line because the
full-employment output is not affected by
price level.

3) SRAS is a horizontal line because in the
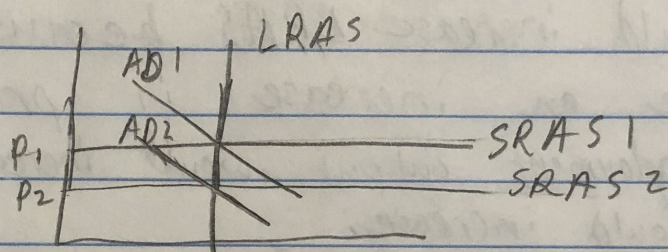short run, prices remain fixed so firms
supply whatever output is demanded.

4)

LRAS

AD2
AD1

P_2
P_1

SRAS1
SRAS2
SRAS1

The SRAS would increase because
the price of inputs would
decrease.   and

5)

LRAS

AD1
AD2

P_1
P_2

SRAS1
SRAS2

The aggregate demand curve would
shift downward. In the short run,
the price level is fixed equilibrium
would occur when AD2 intersects SRAS
so a lower level of output

6) The LRAS curved would be affected. The
curve would shift to the right. Output
would increase and price level would increase.

7) d

8) This would shift the AD curve. It would shift the curve down and to the left.

a) a) This would cause a decrease in AD so it would shift to the left. A new equilibrium would be reached so AS would shift to this point.

b) This would shift AS to the left because the price of oranges increases and increases the cost of inputs for businesses that use oranges. The AD curve would shift to reach equilibrium with the AS curve.

c) This would shift AS to the left because unemployment would increase. The AD curve would shift to reach equilibrium.

10) I think LM is most impacted by social distancing. In the short-run, the output will decrease and price levels would remain unchanged.