

1. a. In the short term, the unemployment rate will rise, due to the large unnumber of recent redundancies.
b. In the long term however, the natural rate of unemployment will remain mostly unchanged. This is because after some time the workers will have obtained the skills they need to fill the new jobs (overcoming structural unemployment)
2. False. In the AE model uses **planned** investment, with all savings being available for investment, but not 'actively' invested, rather than having all savings be invested as in the Solow-Swan model.
3. True. This drop is caused by people reacting the news of China's expected fall in GDP growth. This drop is not certain, and has not occurred yet, but people are expecting a different economic climate than before this announcement, and so react to this change.