

Homework #13

I am rewriting these homework problems. Sorry for the inconvenience. Please check back soon.

- Do this too!** Describe the effects of the following events on the price level and on equilibrium GDP in the *long run*, assuming that input prices fully adjust to output prices after some lag. Use aggregate demand curves and aggregate supply curves to illustrate your answers.
- a. An increase in the money supply lifts aggregate output above the long-run aggregate supply level.
 - b. Initially, aggregate output is above the long-run aggregate supply level, but then the government reduces its spending and the Fed contracts the money supply.
 - c. Initially, the economy is producing at the long-run aggregate supply level, but then a war in the Middle East temporarily increases oil prices. The Fed accommodates the cost-push inflation by increasing the money supply.