Ch.3 P&A

1) a. real wage falls
   b. rental price of capital rises
   c. both increase

8) r increases and I decreases

10) the higher MPC, the less is fall in S
    r increases and I decreases

Ch.4 ?'s

7) i increases 2% r is constant

Q&A

2) 2%

9) real price of gold increases so more is likely to be produced

Ch.5 ?'s

3) trade balance increases and e decreases

4) e increases, nothing else changes

5) Yen appreciates, Peso depreciates

Q&A

1) a. real and nominal e move the same because there is no change in prices.
      e falls, X-M increases
   b. e falls, X-M unchanged
   c. V increases causing P to rise
      real e is constant and nominal e falls

3) a. e falls, everything else unchanged
   b. it is more expensive
   c. cut taxes. This causes C ↑, Natural S↓ so X-M falls , I & r

11) a. expected inflation is 4% higher in Canada
    b. also 4%
    c. the Canadian dollar depreciates

Ch.9 Q&A

1) a. increase demand for money
   b. velocity decreases
   c. AD shifts in and output falls
   d. increase the money supply
   e. it doesn't

2) a. AD shifts in
   b. in short run, output falls and prices are constant
      in long run, prices fall and output is constant
   c. in short run, U increases
      in long run, no change
   d. in short run, r increases
      in long run, it returns to its original level

3) a. Both Feds increase the money supply to increase AD
b. To keep output stable, the Fed should increase the money supply
There's no way to keep price constant in the short run

Ch.10 P&A

1) Y increases by more than ΔG
2) Y decreases by more than ΔT
3) Y increases by the same as ΔG, i.e. the balanced budget multiplier is 1