

Announcements

- Office hours in Social Sciences 7481: 9-10:30am Monday 12/8 (per usual) 2-6p Monday 12/19 (Day before final)

Goals for this session

- Understand each curve of the 4-graph system we've been working on in class and also why they shift
- Get comfortable drawing shocks to this model and understand results

The Model (shifts and assumptions)

1. Money Market Graph

- Money Supply
 - What causes it to shift?
- Money Demand
 - What causes it to shift?
 - *
 - *
 - *
- Investment Demand Graph
 - Why is Investment downward sloping?
- AD/AS Graph
 - Why is AD downward sloping?
 - *
 - *
 - *
 - What causes AD to shift?
 - What causes AS to shift?
 - What causes LRAS to shift?
- Labor Market Graph
 - What are our assumptions behind this graph?
 - *
 - *
 - *
 - What Causes L_d to shift?
 - What Causes L_s to shift?

Problems

1. The Federal Reserve uses open market operations to buy bonds. Illustrate in the 'four graphs'.

Is this shock 'neutral'?

2. Foreigners stop buying US goods because of a change in preferences. Illustrate in the 'four graphs'.

Is this shock 'neutral'?

3. OPEC cartel decides to reduce output and raise price of oil. (Negative productivity shock). Illustrate in only the AD/AS graph and Labor supply graph

Good Luck with Finals!!!