Review
Froyen Chapter 9  Review Question 6, 9, 10, 12,
Froyen Chapter 10  Review Question 4, 5.
Froyen Chapter 12  Review Question 1, 2, 3, 5.

Assignment

Question 1
To encourage a lagging economy, the government decides to cut tax rates.
• According to the Keynesian model, what impact would this have on prices, output
  and employment?
• How would a monetarist feel about this remedy? Explain. Would they have an
  alternate suggestion to spur the economy?

Question 2
To encourage a lagging economy, the FED announces their intention to buy bonds.
• According to the Keynesian model, what impact would this have on prices, output
  and employment?
• Would an adherent to the new classical model agree with these predictions?
  Explain.

Question 3
• Briefly derive the AS curve as depicted in the Keynesian school of economics.
• How is this AS curve different from that proposed by the Classical school?
• Why is this AS curve different from that proposed by the Classical school?
• Why is this so important?