Macroeconomics theory

Literature, Russian Literature

Macroeconomics Math Problem Question The U. S government uses the G t as a way of solving the threats that might lead its economy towards recession.

a) The new AD curve with the use of the established government spending equation and its subsequent slope.

The aggregate demand (AD) will lead to an increase in the country's output after the change in the U. S government spending drives an increase in the creation of jobs and innovations. Holding to the changes made by the government, the AS curve will shift upwards from the left to the right margin. Therefore, there will be a shift in the AD from AD1 to AD2 in slanting straight lines.

b) Under the inflation shock, AD = C + I + G + X M and the subsequent slope of the curve.

i) The vertical axis the government's expenditure changes from G1 to G2 while the horizontal axis represents the increase in output from Y1 to Y2 and the current GDP.

The vertical axis represents the government expenditure changes and the price changes from G1 to G2 while the vertical axis shows the GDP and the output changes from Y1 to Y2.

ii) The inflation shock will affect the per capita because of the subsequent increase in income; thus, there will be a shift in the level of demand for products. The changes in output will affect the people's spending patterns and the AD curve will shift towards the right margin from AD1 to AD1. The AS curve will also shift upwards from the left margin to the right one.

c) Changes in the event of a negative shock

i. A negative inflation shock in the economy will lead to an escalation of the AS curve from the left to the right side of the graph. However, the AD curve will shift from AD1 to AD2 from the right to the left side.

ii. The shifts in the AD curves from the right to the left margins of the graph will influence the new the output to reduce from the right to the left margin from Y1 to Y2 because of the reduced government spending. Therefore, the changes in G1 to G2 downwards in the vertical axis will lead to a reduction in the demand and production factors of the economy.

Question 2

Series 1= AS Curve, Series 2= AD2, Series 3= AD1, Series 4= IS, Series 5= MP curve

The graph shows that the U. S economy will experience a period of in increased output in its markets because of the positive shifts in demand and supply. The positive inflation shock will lead to increased GDP and GNP following the subsequent increase in the buyers' income levels and the marginal increase in the country's total output.

Question 3

a) The effects of the rapid financial and mild financial crises to the IS and MP curves.

The financial crises will influence stagnation in the country's output. It is evident that the output will be Y1 after a 3% increase in the government's expenditure hence the prices will increase to cater for the increased level of demand in the absence of supply.

b) The federal government should resolve to the use of tax cuts. The other alternative policy to restructure the country's economy will be the implementation of price regulations that will coerce the producers to increase the output rather than the prices.

c) The impact of the federal monetary policy in solving the financial crises at the short run period will lead to a shift in the production from Y1 to Y2, a factor that will influence the need for labor; hence, the employed people will affect the country's GDP and GNP.

Works cited

Marchant, Gary E., Yvonne A. Stevens, and James M. Hennessy. " Technology, Unemployment & Policy Options: Navigating the Transition to a Better World." Technology 24 (2014): 1.