

Questions for chapters 14-17, due Monday 12/7/13

**Chapter 14**

1. What is the aggregate demand curve? Why does it slope downward?
2. What is the aggregate supply curve? Why does it slope upward in the short run? How does the long run aggregate supply curve differ from the short run aggregate supply curve?
3. Describe the short-run effect of a leftward shift in the aggregate demand curve, and the process by which the equilibrium output should return to potential output in the long run, absent government intervention. Comment on why it might not always be best to wait for this to occur on its own.

**Chapter 15**

4. What are some examples of expansionary fiscal policy? How do they work? When are they a good idea?
5. Same question, but with contractionary fiscal policy.
6. What would be the drawback of a constitutional requirement for the government to balance its budget each year?

**Chapter 16**

7. Explain the way in which banks can create money.

**Chapter 17**

8. What is expansionary monetary policy? How does it work? When is it a good idea?
9. Same question, but with contractionary monetary policy.