

ECO 301: Money and Banking

Your Name: _____

In-class Exercise: Aggregate Supply / Aggregate Demand

Directions: Work in groups of up to four people and answer the following questions. All papers will be collected, but only one member's paper will be randomly selected and graded and all members of the group will receive the same grade. Failure to complete the worksheet with a group will result in a 15 percentage point penalty.

By signing below, you agree that the following work represents the efforts of everyone in the group, and you are willing to accept as your own grade for the group project the grade earned from this representation of your group's work.

_____ Signature Group Member 1	_____ Print Name	_____ Date
_____ Signature Group Member 2	_____ Print Name	_____ Date
_____ Signature Group Member 3	_____ Print Name	_____ Date
_____ Signature Group Member 4	_____ Print Name	_____ Date

2. Suppose there is an improvement in financial technology.

(a) Describe and illustrate the short-run effect on real GDP and the price level. How does real GDP in the short run compare to its initial level?

(b) Describe and illustrate the long-run effect (again, redraw your previous answer to start answering this question) on real GDP and the price level. If there is a change in price level, what impact does this have on *real* money supply in the long-run?

(c) Describe and illustrate a monetary policy that can achieve price stability and bring GDP back to potential GDP.

