Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Barreto

Macro Topics

ISLMADAS Introduction and Adjustment

Discuss with your group how to draw the ISLADAS model. Discuss the strategy and which curves go where. Draw the model in the two graphs below, labeling everything carefully. Include an SRAS curve, but not an LRAS.

Suppose this economy is *overheated*—this means that the LRAS is to the *left* of your equilibrium solution for Y. Put this line on the graph above and explain below how the economy will equilibrate to its long run, potential GDP.

This question is kinda hard. You should discuss this carefully and use the ISLMADAS file to see how it works. Put an explanation of what’s happening in the graphs above below. Be sure to comment on what’s happening to AD, SRAS, IS, and LM—and why.

Questions?

HW: Watch screencasts 3 and 4 and complete the associated tasks by noon Wed in ISLMADAS.xls.