

Task 1.

The government is implementing an investment plan that provides strong financial support for the construction of new infrastructure and the computerization of schools. This will naturally increase government spending. Referring to the theories from the IS-LM and AD-AS models, explain what impact this will have on the level of income and interest rates in the short and long term. How will this affect the level of investment in both periods?

Task 2.

Observing price fluctuations in foreign markets, the Central Bank decided to reduce the money supply in the economy, thereby curbing inflation. In light of the theory of the IS-LM and AD-AS models, was this the right move? What effects will this have in the short and long term? What reaction from the government should be expected (assuming the desire to ensure the highest possible level of economic development)?

Task 3.

How does inflation affect the position of the AD and SAS curves?

Task 4.

In light of the AD-AS model theory, how should the events observed in Libya/Ukraine affect income and prices in a small economy? We assume that the economy was initially in equilibrium. Does the Central Bank have the ability to bring the economy back to its initial state in a single period?

Task 5.

The occurrence of natural disasters in recent years (floods, droughts) is considered one of the causes of inflation. Interpret this hypothesis in light of the AD-AS model theory. If the Central Bank decides to counteract inflation by reducing the money supply, what effects might this have on the level of income, prices, investments, and unemployment in the short and long term?

Task 6.

Using the IS-LM and AD-AS models, the expected impact of increasing the tax rate on the country's economic situation is presented.