

Practicing the Keynesian Model

Draw a Macrograph using a Keynesian SRAS curve.

2. What impact does increasing Aggregate Demand have on Price Levels and RGDP in the Keynesian Macro Model?

3. Draw a Macrograph with classic curves next to a Macrograph with Keynesian SRAS.

4. How does an increase in AD differ with the classical curves, as compared with the Keynesian SRAS?

5. Now draw a modern Macrograph with an upward diagonally sloping SRAS. What impact does an increase in AD have on PL and RGDP in this graph?

6. How do classical and Keynesian economists differ over the question of the flexibility of wages and prices?

7. Why is the Keynesian SRAS sometimes called the “sticky price” curve?

8. How do classical and Keynesian economists differ over the role of government spending to increase aggregate demand?

