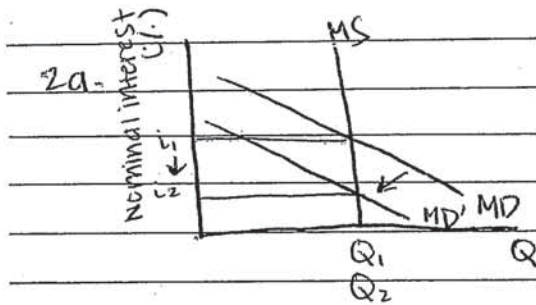


Q2 Macroeconomics 2017

2 A

ANSWER PAGE FOR QUESTION 2



b.i. increase

b.ii. Price level and real income will both increase

because a lower interest rate will attract investors. People will also hold more cash because their savings account no longer earns as much money.

Therefore, consumption and investment will increase, increasing aggregate demand and shifting it to the right.

c. increase

d. sell bonds

GO ON TO THE NEXT PAGE.