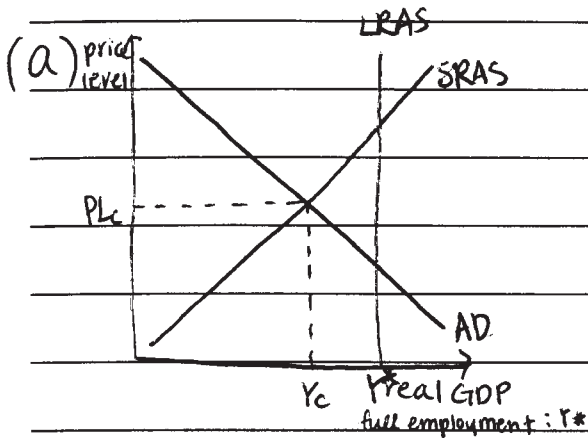


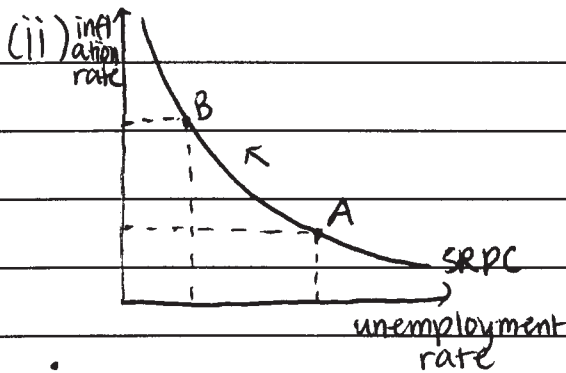
Write in the box the number of the question you are answering on this page as it is designated in the exam.

Question 1

1A



(b) (i) A decrease in personal income tax would increase disposable income, thus consumption. Since consumption is a component of AD, AD would increase.

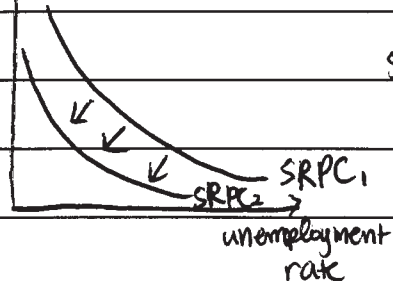


(i)

(c) The SRAS curve will shift to the right.

Because wages are flexible in the long run wages will decrease causing SRAS to shift outward.

(ii) inflation rate



SRPC will shift to the left.