

Question #63544 - Economics – Macroeconomics | Completed

Question

Assume perfect capital mobility, fixed nominal exchange rate and adaptive expectations. How does a one-time increase in productivity affect the economy?

Select one or more:

- a. It moves both the LAS and AS curves to the right but the AS curve changes its position over time.
- b. It lowers the domestic price level permanently.
- c. It moves the LAS curve to the right but the AS curve does not change.
- d. It lowers the domestic price level but only temporarily.

Answer

- d. It lowers the domestic price level but only temporarily.**

