

## Quiz 3

Name:

### 1. True or false (3 points):

In the short run, only output prices change, whereas in the long run, both output and input prices change.

Your answer:

### 2. Short answer (17 points):

- Plot short-run macroeconomic equilibrium for the case where equilibrium real GDP exceeds potential GDP.
- Briefly explain how the economy transitions to the long-run macroeconomic equilibrium. Plot the long-run macroeconomic equilibrium. Use arrows to show the transition.
- Show using plot(s) what happens to the short-run and long-run equilibria if the production technology permanently improves. *Make sure to label all the axes, curves, and equilibria points and use arrows.*

Your answer: