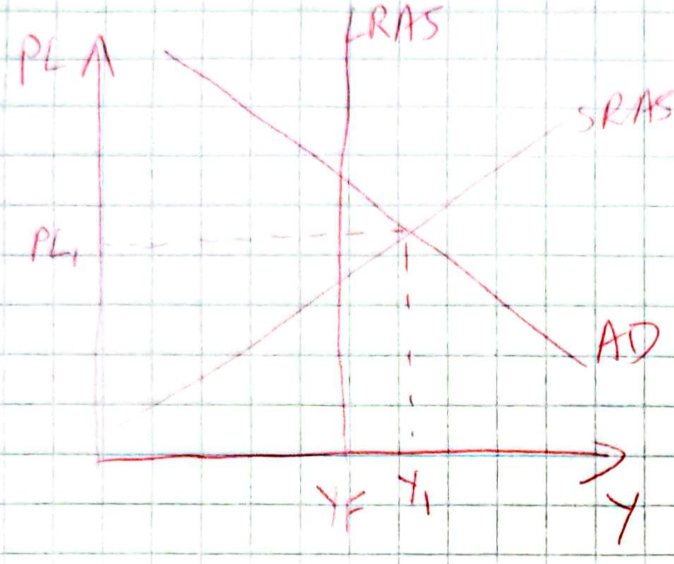
a)



b) ARU $<$ NRU

because current output is greater than Y_F so more workers employed.

c) ↓G

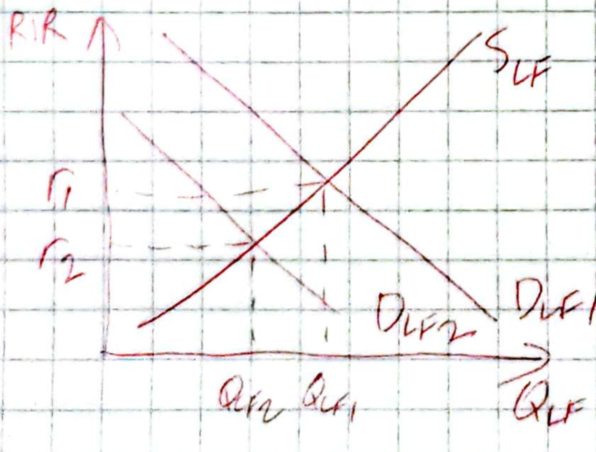
↑Tax

↓Gov transfers

d) ↓G → ↑budget surplus (↓budget deficit)

→ ↓Gov borrowing → ↓D_{LF} (or ↑S_{LF})

→ ↓RIR

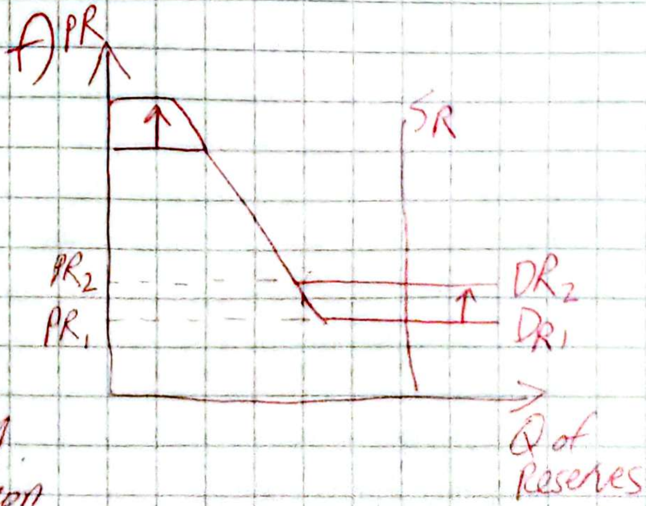


e) Banks have ample reserves, therefore must target Policy Rate using administered rates.

↑administered rates

→ ↑PR → ↑IR

f)



g) ↑PR → ↑IR → ↑cost of borrowing

→ ↓I ~~PRA~~ → ↓capital formation & technological progress

→ ↓economic growth

Note: Economy will still grow but at a slower rate