Solutions

Each answer shows the steps, then the **result**.

2.1

- wages and some prices are sticky, so a higher price level raises profits and encourages more output

2.2

- it shifts SRAS to the left

2.3

- any two of: input prices, productivity, supply shocks

3.1 B

3.2 B

3.3

(a)

- to the left

(b)

- the price level rises

(c)

- output falls