ECO 102: Introduction to Macroeconomics
Problem Set #5
Lectures 9 & 10
Due Date: 07 August, 11AM
Total Points: 30

**Problem 1: Practicing with Monetary Policy [30 Points]**

This will be question that pulls in a lot of parts of this course. So, consider the following economy:

Suppose that the production function for the economy is given by:

$$Y = AL^{2/3}K^{1/3}$$

Suppose that this economy has 1,000 units of Labour, and 125 units of capital, and TFP (A) is equal to 10.

The Short-Run Aggregate Supply Curve (AS) here is given by: