In this problem set, you are asked to consider the effects of a change in the nominal money supply for the AD/AS model. In the AD/AS model, recall that the AD curve is derived from the IS/LM model. The AS curve has been derived under various assumptions including 1) downward nominal wage rigidity and price flexibility, 2) real wage rigidity and price flexibility, and 3) nominal wage flexibility and price flexibility.

For each of these 3 sets of assumptions underlying the AS schedule, determine the equilibrium effects of a money supply increase on 1) the price level, 2) the real output level, and 3) the real interest rate level. When nominal or real wages are rigid, be clear about your assumptions on where they are set relative to market clearing levels. Compare your answers and interpret.