

For much of the material for chapter 6, which we will be needing the computer lab in Richardson 31. However, I could only reserve it for two Wednesdays. So I will have to change the syllabus to some extent. We will go over the exam on Friday 10/11 in the normal room and on Wednesday 10/9 we will be in the computer lab. We will also be in the lab on Wednesday 10/16. You will still get your exam back as originally scheduled.

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point on the assignment.

- 1) (15 points) What are the economic reasons that we could get a flat IS curve?
- 2) (20 points) What is the speculative demand for money? What determines it? How does it affect the IS/LM diagram?
- 3A) (20 points) Illustrate on the IS/LM diagram an increase in government spending. Explain what caused the curve(s) to move as drawn and why the variables changed as drawn. (See part B before drawing the diagram.)
3B) (15 points) If money demand is sensitive to GDP, then will the government spending have a big effect upon the GDP? Why or why not? (It may help if you draw part A to illustrate that assumption.)
- 4) (20 points) When we calculated the autonomous expenditure multiplier, what did we assume about interest rates? Given the money supply and demand, what will happen to interest rates? How will that affect the size of the autonomous expenditure multiplier?
- 5) (10 points) Bethany College is going to be changing its course evaluation forms, probably next Spring. The school will need a base to compare the new professors to. Unfortunately, because of resource limitations, they cannot give the evaluations to all tenured and non-tenured professors. Thus, the current plan is to give it to all new people because that is required to evaluate them, and to give it to one class per professor for the tenured professors. The professor will have the choice of course. Is this a good way to estimate the average scores of tenured professors to compare the non-tenured professors to? Why did you make that choice?