

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. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to follow these directions will cost you 1 point on the assignment.

1) (20 points each) Illustrate the following events on the LRAS/AD diagram for the USA.

Explain why the curve(s) moved as drawn. Use a separate graph for each part.

- A) There is an improvement in technology.
- B) The government spends more.
- C) The Canadian economy improves.
- D) Interest rates increase.

2) (20 points) Explain why the microeconomic reasons for the demand curve's downward slope, do not apply to the aggregate demand curve.