

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

- 1) (20 points) Explain why lengthening the duration of patents could help the economy in the long run, but also explain how it could hurt the economy in the long run.
- 2) (15 points) In this course, we always assume that faster GDP growth will help the citizens. Give two reasons this might be false and explain how GDP growth causes these problems.
- 3) (15 points each) Explain how these help a country to develop.
 - A) Establish property rights.
 - B) Creative destruction.
- 4) (10 points) What is wrong with the following explanation of why the AD curve slopes downward? “We cannot afford to buy as much when prices are high.”
- 5) (15 points) Explain why the AD curve slopes down.
- 6) (10 points) Explain why the LRAS curve looks as drawn.