

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.

For this assignment, you will not have gone far enough into Chapter 11 to understand the SRAS curve. Just draw an upward sloping line. Although there are times the SRAS curve moves without moving the LRAS curve, I will not give those events here. For this assignment, if the LRAS curve moves, move the SRAS curve the same direction and state that it is because the LRAS curve moved. In the future, I will not accept that explanation.

1) (20 points) Draw the SRAS/LRAS/AD diagram with the upward sloping SRAS curve. Illustrate the effects of government spending more. Explain why the curve(s) moved as drawn. What happens to GDP and prices?

2) (20 points) Draw the SRAS/LRAS/AD diagram with the upward sloping SRAS curve. Illustrate the effects of interest rates going up. Explain why the curve(s) moved as drawn. What happens to GDP and prices?

3) (20 points) Draw the SRAS/LRAS/AD diagram with the upward sloping SRAS curve. Illustrate the effects of the population increasing. Explain why the curve(s) moved as drawn. What happens to GDP and prices?

4) (20 points) Draw the SRAS/LRAS/AD diagram with the upward sloping SRAS curve. Illustrate the effects of the Canadian economy improving. Explain why the curve(s) moved as drawn. What happens to GDP and prices?

5) (20 points) Why does the AD curve slope down? Why can't we say, "when prices are up, we cannot afford to buy as much, so the quantity demanded goes down."?