

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up 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) (15 points) How does enforcing property rights help economic development. Discuss both physical and intellectual property rights.
- 2) (15 points) Explain how entrepreneurs help economic development.
- 3) (10 points) Explain why the AD curve slopes down.
- 4) (20 points each) Illustrate the following events on the LRAS/AD diagram. Explain why the curve(s) moved as drawn. What happens to prices and GDP? Draw Parts A, B, and C on separate graphs. (The impact upon GDP may be counter-intuitive in some cases because we do not have the SRAS curve yet. If we had that line then the results would be different and would make more sense.)
 - A) Technology makes workers more productive.
 - B) The government spends more.
 - C) We export more abroad.