

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 10 points. 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) Draw the LRAS/SRAS/AD diagram. Illustrate the effects of an increase in the corporate tax rate. Explain why the curve(s) moved as drawn. What happens to the price level and real GDP?
- 2) (20 points) Draw the LRAS/SRAS/AD diagram. Illustrate the effects of an improvement in technology which affects a large proportion of the economy. Explain why the curve(s) moved as drawn. What happens to the price level and real GDP?
- 3) (20 points) Draw the LRAS/SRAS/AD diagram. Illustrate the effects of an increase in government spending. Explain why the curve(s) moved as drawn. What happens to the price level and real GDP?
- 4) (20 points) Draw the LRAS/SRAS/AD diagram. Illustrate the effects of a decrease in the Canadian GDP. Explain why the curve(s) moved as drawn. What happens to the price level and real GDP? (The diagram is for the USA.)
- 5) (10 points) Explain $Y = F(P)$ for the AD curve.
- 6) (10 points) Explain $Y = F(P)$ for the LRAS curve.