

The Last One!

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 IS/LM/FE diagram. Illustrate the effects of an increase in the price level. Explain why the curve(s) moved as drawn. What happens to the interest rate and GDP?
- 2) (20 points) Draw the IS/LM/FE diagram. Illustrate the effects of an increase in the amount of capital. Explain why the curve(s) moved as drawn. What happens to the interest rate and GDP?
- 3) (50 points) Draw the IS/LM/FE, SRAS/LRAS/AD, and real MS/MD diagrams. Illustrate the effects of an increase in government spending. Explain why the curves moved as drawn. What happens to the price level, real GDP, real interest rates, and the real money supply?
- 4) (10 points) Explain why the IS curve is drawn as you drew it above. You can give either my explanation or the book's explanation.