

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point on the assignment.

This assignment covers Chapter 7.

Until break, all assignments are due on Fridays. For the week after break, there will be an assignment due on Tuesday, and a test on Friday.

- 1) (15 points) The book states that only modern economies have business cycles. Why don't economies that rely on subsistence farming have business cycles?
- 2) (20 points) We have a larger government, as a percent of GDP, than in the past. Therefore, we have both larger government spending and a larger tax burden. Both of these affect the business cycles. What are those effects and why do they occur?
- 3) (30 points) Except for the Kitchin cycles, the other cycles mentioned on page 239 are hard to measure and one of the cycles cannot be proven or disproven. For Kuznet cycles and Kondratieff cycles, explain the theory and why that might be hard to measure.
- 4) (20 points) What is the autonomous expenditure multiplier? How does it affect business cycles? Why does it have that effect?
- 5) (15 points) There are two reasons that we generally have continually increasing prices, even in recessions. What are they?