

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. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to follow these directions will cost you 1 point on the assignment and failure to type it will cost you 10 points.

- 1) (15 points) Explain why a system of property rights is important for economic growth.
- 2) (20 points) Explain two problems with economic growth.
- 3) (25 points) Suppose that you were given the responsibility of determining how long a patent should last for. How long would you set it for? Explain why you did not make it shorter or longer than you did.
- 4) (15 points) Why can't we say, "When prices go up, we cannot afford as much. Therefore, the AD curve slopes down."
- 5) (25 points) Draw a PPF (PPC) of capital goods versus consumption goods. Place two dots on it which represent where two countries are currently. Draw next year's PPFs for those two countries. Explain why one country's PPF moved more than the other.