

Place your name on the back of this sheet of paper and nowhere else. Staple your answers 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.

**Note that for this assignment, you will not be drawing the SRAS curve. However, this is the only time you will not draw it because you cannot tell the short-run effects without it.**

1) (20 points each) Illustrate the following events on the LRAS/AD diagram. Explain why the curve(s) moved as drawn. What happens to the price level and GDP?

- A) A new technology is developed.
- B) The government spends more.
- C) The MPC increases.
- D) The Canadian economy improves.

2) (10 points) Why does the LRAS curve take its shape?

3) (10 points) Why does the AD curve take its shape?