

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.

- 1) (15 points) Why does economic development require a system of property rights?
- 2) (20 points) A long-lived patent is harmful to a country, but so is a patent which does not last long enough. Explain why both of those statements are true.
- 3) (15 points) We assume that faster economic growth is good. Why might that be wrong? State two reasons.
- 4) (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 the GDP? (Note that after we have covered Chapter 11, you would have to include the SRAS curve as well.)
  - A) There is a new technology.
  - B) The government spends more.
- 5) (10 points) What is wrong with this argument? “When the price level increases, people cannot afford to buy as much; therefore, they buy more. That is the AD curve slopes down.”