Wilf Csaplar Jr.   Economics 302   Homework #8   Due 04/22
The last one!

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) (10 points) Explain $r = \alpha_{LM} + \beta_{LM}Y$. Disregard α and β.

2) (20 points) Illustrate an increase in the price level on the IS/LM/FE diagram. Explain why the curve(s) moved as drawn. What happens to the interest rate and GDP? Only worry about short-run effects.

3) (20 points) Illustrate an increase in government spending on the IS/LM/FE diagram. Explain why the curve(s) moved as drawn. What happens to the interest rate and GDP? Only worry about short-run effects.

4) (20 points) Illustrate an increase in the population on the IS/LM/FE diagram. Explain why the curve(s) moved as drawn. What happens to the interest rate and GDP? Only worry about short-run effects.

5) (10 points) What line generally moves the same time the AD curve moves? Why does it move then?