

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) We said that economic growth causes urban congestion. Explain how it does that.
- 2) (10 points) Explain how the government's patents can help an economy to grow faster.
- 3) (15 points) Explain why having enforceable property rights is a key to faster growth.
- 4) (20 points) Illustrate an increase in government spending on the LRAS/AD diagram. Explain why the curve(s) moved as drawn. What happens to GDP, unemployment rate, and the price level? Note that if this question showed up on an exam, you would have to also draw the SRAS Curve. However, you will learn about that line on the day this assignment is due.
- 5) (20 points) Illustrate an improvement in technology on the LRAS/AD diagram. Explain why the curve(s) moved as drawn. What happens to GDP, unemployment rate, and the price level? Note that if this question showed up on an exam, you would have to also draw the SRAS Curve. However, you will learn about that line on the day this assignment is due.
- 6) (20 points) Illustrate an increase in interest rates on the LRAS/AD diagram. Explain why the curve(s) moved as drawn. What happens to GDP, unemployment rate, and the price level? Note that if this question showed up on an exam, you would have to also draw the SRAS Curve. However, you will learn about that line on the day this assignment is due.