

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 $r = \alpha_{IS} - \beta_{IS}Y$. Only worry about the Y.

2) (35 points) Draw the LRAS/SRAS/AD diagram and the real MS/real MD diagram. Draw the effects of an increase in government spending. Explain why the curve(s) moved as drawn. What happens to real GDP, price level, and real interest rates?

3) (35 points) Draw the LRAS/SRAS/AD diagram and the real MS/real MD diagram. Draw the effects of an increase in the money supply. Explain why the curve(s) moved as drawn. What happens to real GDP, price level, and real interest rates?

4) (20 points) Draw the LRAS/SRAS/AD diagram. Illustrate the effects of an increase in the price of oil. Explain why the curve(s) moved as drawn. What happens to real GDP and the price level?