

The last one!

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up 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 $Y = f(P)$ for the AD curve.
- 2) (15 points) I argue that economic theory says that laws enacted during the Great Depression, which changed our economy, have caused the business cycles to be less severe. Explain my logic.
- 3) (25 points) Illustrate a positive supply shock on the LRAS/SRAS/AD diagram. Explain why it moved as drawn. What is an example of a positive supply shock?
- 4) (10 points each) For each variable, determine if it is procyclical, countercyclical, or acyclical. Then determine if it is leading, lagging, or roughly coincident. Explain your logic.
 - A) inventory investment
 - B) stock prices
 - C) unemployment rate (It is officially not classified for the latter question, but determine which you think it should be and why it should be that.)
 - D) residential investment
 - E) real wage