

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 the equation for the aggregate demand: $Y = F(P)$.
- 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 referring to two changes.
- 3) (10 points) Some economists feel that the reduced severity of the business cycle is due to inaccurate data. Explain their logic.
- 4) (25 points) Give an example of a positive supply shock. What is an example of a positive supply shock? Illustrate the effects of that positive supply shock on the LRAS/SRAS/AD diagram. Explain why the curve(s) moved as drawn. What happens to GDP and the price level?
- 5) (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) stock prices
 - B) inventory investment
 - 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) Consumption