

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) (15 points) Draw the Keynesian SRAS curve. Explain why it takes its shape.
- 2) (20 points) Draw the SRAS/LRAS/AD diagram. Illustrate the effects of an increase in the price of oil. Explain why the curve(s) moved as drawn. What happens to the real GDP, the price level, and the unemployment rate?
- 3) (20 points) Draw the SRAS/LRAS/AD diagram. Illustrate the effects of an increase in the amount of capital currently available. Explain why the curve(s) moved as drawn. What happens to the real GDP, the price level, and the unemployment rate?
- 4) (25 points) Draw the SRAS/LRAS/AD diagram. Illustrate the effects of a decrease in the interest rate. Explain why the curve(s) moved as drawn. What happens to the real GDP, the price level, and the unemployment rate? Why isn't the diagram the same as the one you drew in Question #3?
- 5) (20 points) Draw the SRAS/LRAS/AD diagram. Illustrate the effects of an increase in the income tax rate. Explain why the curve(s) moved as drawn. What happens to the real GDP, the price level, and the unemployment rate?