Wilf Csaplar Jr.   Economics 302   Homework #6   **Due Wednesday 4/3**

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 $\Delta Y/Y = sA - d$.

2) (15 points) The George W. Bush administration reduced the tax on capital gains and the tax on dividends. Use the endogenous growth model to explain why he did that.

3) (10 points each) For each of the following events, determine what happens to M1 and M2. Explain your logic.
A) You move $400 from a savings account to a checking account.
B) You pay for a $200 textbook with a check.
C) You use a credit card to buy a $50 coat.

4) (15 points each) For each of the following, explain how the item relates to the demand for the asset.
A) The demand for a stock of a company which just announced that they are revising their forecasted profits upwards.
B) The demand for corporate bond when the interest rate on government bonds increases.
C) The demand for a bond whose rating is decreased.